COVER SHEET

AS094-8678

S.E.C. Registration Number

WATERFRONT PHILIPPINES, INCORPORATED

(Company's Full Name)

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

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

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

12	31	**17-Q3**	08	18
Month	*Day*	FORM TYPE	*Month*	*Day*
			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

492		
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended September 30***, 2012***

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

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

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

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

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

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

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

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

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

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

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

    Yes [√]   No [ ]

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

    Philippine Stock Exchange   ***Common***

12. Indicate by check mark whether the registrant:

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

    Yes [√]   No [ ]

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

    Yes [√]   No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to Annex A.

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

Please refer to Annex B.

PART II--OTHER INFORMATION

NONE.

SIGNATURES

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

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

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

Signature and Title ___________________
Corporate Secretary

Date 11/12/2012

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

Signature and Title ___________________
Compliance Officer/ Director for Finance

Date 11/12/2012

WATERFRONT PHILIPPINES INCORPORATED AND SUBSIDIARIES **"Annex-A"**
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION-UNAUDITED
As of September 30, 2012

	CONSOLIDATED		
	Unaudited	Unaudited	Audited
	September 30, 2012	September 30, 2011	December 31, 2011
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	P 120,755,253	P 84,604,052	P 78,956,323
Trade and Other Receivables-net	292,842,323	296,780,092	172,661,982
Inventories	37,919,254	36,497,251	36,718,256
Due from affiliated companies-current portion	531,471,226	383,290,205	462,148,879
Prepaid Expenses and Other Current Assets	19,448,679	27,619,698	18,764,904
Total Current Assets	**1,002,436,735**	**828,791,298**	**769,250,344**
Noncurrent Assets			
Receivables from Acesite (BVI)	-	234,944,580	-
Due from affiliated companies-noncurrent portion	1,622,816,680	1,368,349,640	1,603,431,849
Goodwill	142,819,150		142,819,150
Property and equipment-net	6,416,825,697	6,469,684,146	6,530,010,614
Available-for-sale Investments	22,978,150	6,156,410	22,978,150
Deferred Tax Assets	104,592,194	49,955,804	285,882,779
Other noncurrent assets	183,146,740	554,867,454	197,631,935
Total Noncurrent Assets	**8,493,178,611**	**8,683,958,034**	**8,782,754,477**
Total Assets	**P 9,495,615,346**	**P 9,512,749,332**	**P 9,552,004,821**
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	P 1,616,944,729	P 1,883,126,805	P 1,210,811,796
Loans Payable-current portion	819,965,277	1,136,205,110	867,455,750
Income tax payable	-	-	53,753,194
Contract payable	-	-	86,260,000
Other current liabilities	10,552,905	13,494,250	12,139,739
Total Current Liabilities	**2,447,462,911**	**3,032,826,165**	**2,230,420,479**
Noncurrent Liabilities			
Loans Payable-noncurrent portion	559,375,000		512,500,000
Deferred tax liabilities	1,004,817,042	1,132,849,875	1,246,567,529
Other noncurrent liabilities	867,192,571	368,928,687	1,036,494,522
Total Noncurrent Liabilites	**2,431,384,613**	**1,501,778,562**	**2,795,562,051**
Total Liabilites	**4,878,847,524**	**4,534,604,727**	**5,025,982,530**
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	2,085,457,808	1,869,756,216	2,085,457,808
Unrealized valuation loss on AFS investments	6,329,331	(4,204,901)	6,329,331
Foreign currency translation adjustment	37,654,614	38,915,992	37,654,614
Deficit			
Appropriated	130,000,000	130,000,000	130,000,000
Unappropriated	(1,570,182,750)	(964,573,747)	(1,647,505,957)
Total Stockholders Equity	**3,894,615,113**	**4,275,249,670**	**3,817,291,906**
Non-controlling Interest	**722,152,709**	**702,894,935**	**708,730,385**
Total Liabilities & Stockholders Equity	**P 9,495,615,346**	**P 9,512,749,332**	**P 9,552,004,821**

WATERFRONT PHILIPPINES INCORPORATED AND SUBSIDIARIES **"Annex-A"**
CONSOLIDATED STATEMENT OF INCOME -UNAUDITED
For the Period Ended September 30, 2012

	CONSOLIDATED		
	Unaudited	**Unaudited**	**Audited**
	Jan-Sept 2012	**Jan-Sept 2011**	**December 31, 2011**
REVENUES			
Hotel	P 1,381,159,300	P 1,353,901,751	P 1,941,434,489
Nonhotel	89,408,018	92,583,702	22,201,594
Interest and other income	19,345,895.58	21,815,212	31,933,475
Subtotal	**1,489,913,213**	1,468,300,665	1,995,569,558
OPERATING EXPENSES			
Hotel	1,002,268,541	971,028,210	1,176,293,454
Nonhotel	93,805,314	93,674,616	251,520,426
Subtotal	**1,096,073,855**	1,064,702,826	1,427,813,880
INCOME BEFORE FIXED FINANCIAL AND OTHER CHARGES	**393,839,358**	403,597,840	567,755,678
FIXED, FINANCIAL AND OTHER CHARGES			
Depreciation and amortization	206,645,726	211,526,677	275,316,747
Interest Expense	112,131,780	111,595,142	89,458,540
Interest Income	4,984		(27,039,062)
Others	(15,683,680)	(553,671)	203,798,797
Subtotal	**303,098,810**	322,568,148	541,535,022
INCOME BEFORE INCOME TAX	90,740,548	81,029,692	26,220,656
PROVISION FOR INCOME TAX			
Current	-	12,503,906	111,197,142
Deferred	-	-	(82,561,515)
INCOME (LOSS) BEFORE SHARE OF MINORITY INTEREST	**90,740,548**	68,525,786	(2,414,971)
SHARE OF MINORITY INTEREST	**13,422,325**	10,380,225	18,073,476
NET INCOME(LOSS)	**77,318,224**	58,145,561	(20,488,447)
OTHER COMPREHENSIVE INCOME			
Foreign currency translation differences for foreign operations	-	-	(1,261,378)
Net change in fair value of available-for-sale financial assets	-	-	16,821,740
Total	-	-	15,560,362
TOTAL COMPREHENSIVE INCOME			P 13,145,391
EARNINGS (LOSS) PER SHARE	**P0.031**	P0.023	(P0.008)

*There are no dilutive potential shares as of September 30, 2012and 2011

WATERFRONT PHILIPPINES INCORPORATED AND SUBSIDIARIES **"Annex-A"**

CONSOLIDATED STATEMENT OF INCOME -UNAUDITED

For the Quarter Ended September 30, 2012

	CONSOLIDATED				
	Unaudited		Unaudited		Audited
	July-Sept 2012		July-Sept 2011		December 31, 2011
REVENUES					
Hotel	472,867,372		445,609,822	P	1,941,434,489
Nonhotel	27,484,880	P	30,660,564		22,201,594
Interest and other income	5,823,392		8,292,709		31,933,475
Subtotal	**506,175,644**		484,563,095		1,995,569,558
OPERATING EXPENSES					
Hotel	363,622,783		332,382,452		1,176,293,454
Nonhotel	33,600,201		33,469,502		251,520,426
Subtotal	**397,222,984**		365,851,954		1,427,813,880
INCOME BEFORE FIXED FINANCIAL AND OTHER CHARGES	**108,952,660**		118,711,141		567,755,678
FIXED, FINANCIAL AND OTHER CHARGES					
Depreciation and amortization	70,693,839		75,574,790		275,316,747
Interest Expense	33,791,823		33,255,185		89,458,540
Interest Income	-16,481		(21,465)		(27,039,062)
Others	-14,857,704		272,305		203,798,797
Subtotal	**89,611,477**		109,080,814		541,535,022
INCOME BEFORE INCOME TAX	**19,341,183**		9,630,327		26,220,656
PROVISION FOR INCOME TAX					
Current	-263,138		12,240,768		111,197,142
Deferred	-		-		(82,561,515)
INCOME (LOSS) BEFORE SHARE OF MINORITY INTEREST	**19,604,321**		(2,610,441)		(2,414,971)
SHARE OF MINORITY INTEREST	**4,536,439**		1,494,339		18,073,476
NET INCOME(LOSS)	**15,067,882**		(4,104,780)		(20,488,447)
OTHER COMPREHENSIVE INCOME					
Foreign currency translation differences for foreign operations	-		-		(1,261,378)
Net change in fair value of available-for-sale financial assets	-		-		16,821,740
Total	-		-		15,560,362
TOTAL COMPREHENSIVE INCOME	**19,604,321**	$	(2,610,441)	P	13,145,391
EARNINGS (LOSS) PER SHARE	**P0.006**		**-P0.002**		**(P0.008)**

*There are no dilutive potential shares as of September 30, 2012and 2011

WATERFRONT PHILIPPINES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY-UNAUDITED
As of September 30, 2012

	CONSOLIDATED		
	Unaudited	Unaudited	Audited
	September 30, 2012	September 30, 2011	December 31, 2011
CAPITAL STOCK			
Balance, beginning of the period	**P 2,498,991,753**	P 1,945,934,653	P 2,498,991,753
Issuance of shares		553,057,100	-
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	**2,085,457,808**	1,869,756,216	2,508,260,998
Derecognition of land held under finance lease due to acquisition of a subsidiary			(333,068,732)
Transfer of revaluation surplus absorbed through depreciation for the year-net of income tax effect			(89,734,458)
Balance, end of the period	**2,085,457,808**	1,869,756,216	2,085,457,808
Unrealized Valuation Gain (Loss) on AFS Investment			
Balance, beginning of the period	**6,329,331**	(4,204,901)	(4,204,901)
Valuation Loss taken into equity during the year			9,924,827
Effect of the increase in non-controlling interest due to sale of an interest in a subsidiary			609,405
Balance, end of the period	**6,329,331**	(4,204,901)	6,329,331
Foreign Curreny Translation			
Balance, beginning of the period	**37,654,614**	38,915,992	38,915,992
Translation adjustment during the year			(1,261,378)
Balance, end of the period	**37,654,614**	38,915,992	37,654,614
Deficit			
Appropriation for renovation and business expansion	**130,000,000**	130,000,000	130,000,000
Unappropriated:	**(1,647,505,957)**	(1,022,719,308)	
Balance beginning of the year			(1,716,751,968)
Transfer of revaluation surplus absorbed through depreciation for the year net of tax effect			89,734,458
Net Income (Net Loss)	**77,323,207**	58,145,561	(20,488,447)
Balance, end of the period	**(1,570,182,750)**	(964,573,747)	(1,647,505,957)
Total deficit	**(1,440,182,750)**	(834,573,747)	(1,517,505,957)
Total Equity Attributable to Equity Holders of the Parent Company	**P 3,894,615,113**	P 4,275,249,670	P 3,817,291,906

WATERFRONT PHILIPPINES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS-UNAUDITED
As of September 30, 2012

	CONSOLIDATED		
	Unaudited	Unaudited	Audited
	September 30, 2012	September 30, 2011	December 31, 2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P 90,745,532	P 81,029,692	P 26,220,656
Adjustments for:			
Depreciation and amortization	206,645,726	211,526,677	275,316,747
Interest expense	112,131,780	111,595,142	89,458,540
Loss on sale on acesite shares	-	-	40,537,836
Retirement benefit costs	-	-	21,746,702
Provision for impairment losses on receivable	-	(38,915,992)	97,136,612
Unrealized foreign exchange gain	(15,683,680)	-	(1,661,043)
Interest income	(19,340,912)	-	(27,039,062)
Operating income before working capital changes	**374,498,446**	**365,235,519**	**521,716,988**
Decrease (increase) in:			
Receivables	(120,180,341)	112,464,713	16,657,215
Inventories	(1,200,998)	6,944,331	(3,380,618)
Prepaid expenses and other current assets	(683,775)	(23,878,188)	610,620
Increase (decrease) in:			
Accounts payable and accrued expenses	421,816,613	296,142,140	61,312,768
Other current liabilities	(1,586,836)	(3,510,510)	3,693,750
Cash generated from operations	**672,663,109**	**753,398,005**	**600,610,723**
Interest received	19,340,912	-	363,192
Income taxes paid	(53,753,194)	-	(80,747,152)
Retirement plan contributions paid	-	(6,500,000)	(17,505,000)
Interest paid	(112,131,780)	(11,587,282)	(84,249,071)
Net cash provided by (used in) operations	**526,119,047**	735,310,723	418,472,692
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment	(93,460,809)	-	(97,525,553)
Investment in subsidiary	-	-	(21,565,000)
Proceeds from sale of an equity interest in subsidiary	-	-	14,100,000
Proceeds from sale of property and equipment	-	-	41,884
Decrease (increase) in other non-current assets	195,775,782	514,707,117	(50,439,050)
Net cash provided by (used in) investing activities	**102,314,973**	514,707,117	(155,387,719)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase(decrease) in loans payable	(86,875,473)	(272,930,900)	18,369,631
Decrease in due from related parties	(88,707,178)	90,369,200	(491,967,851)
Increase (decrease) in other non-current liabilities	(411,052,439)	63,794,875	199,791,499
Payment of obligation under finance lease	-		(1,500,000)
Net cash used in financing activities	**(586,635,090)**	**(118,766,825)**	**(275,306,721)**
Decrease in translation adjustment for the year	-	(9,947,404)	(1,261,378)
Net increase (decrease) in cash and cash equivalents	41,798,930	9,389,537	(13,483,126)
Cash and cash equivalents at beginning of year	78,956,323	75,214,515	92,439,449
Cash and cash equivalents at end of year	**P 120,755,253**	**P 84,604,052**	**P 78,956,323**

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)	59	-
Grand Ilocandia Resort and Development, Inc. (GIRDI)	54	-
Real Estate:		
CIMA Realty Phils. Inc.		59
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.

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 year2011 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 servers 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 Cebu's patrons can now expect a more efficient service with the addition of these facilities. The newly-constructed group check-in counter which is dedicated solely to corporate and travel groups complements the Hotel's main lobby along with the new Duty Free area, and the new Casino Filipino wing. This increases operational efficiency and adds more exciting features for the hotel's customers.

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

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

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

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

Waterfront Insular Hotel is a resort hotel overlooking the Davao Gulf. It is 20 minutes away from downtown Davao City. The hotel holds a superior position over other hotels in the city in terms of space and location.
With a greater area than any other hotel facility in the city, it is unmatched in servicing large business meetings, conventions, and exhibit groups. The hotel consists of four low-rise buildings of 158 guest rooms and suites. Every room opens to a lanai overlooking a lush garden, the blue waters of the Davao Gulf or a scenic coconut grove. The hotel has 5 restaurants. The hotel's function rooms suit different event requirements: 1 Grand Ballroom that can accommodate up to 400 persons, 3 boardrooms that can accommodate 30 persons each, and the Kalaw function room that can accommodate groups of up to 150 persons. The Tent in the hotel's garden is also popular for bigger celebrations

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.

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., previously known as W Citigym & Wellness, Inc was incorporated and registered with the Securities and Exchange Commission on January 26, 2006 and successfully changed its corporate name on May 23, 2012, 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.

WMC was registered with the Securities and Exchange Commission on March 31, 2003 and was granted with its new corporate name Waterfront Hotel Management Corp. on April 27, 2012, 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.

1. Basis of Preparation

Statement of Compliance

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

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

Basis of Measurement

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

Functional and Presentation Currency

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

Use of Estimates and Judgments

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

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

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

2. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

New or Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2011, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Group, except for PFRS 9, *Financial Instruments*, which becomes mandatory for the Group's 2015 financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

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

To be Adopted on January 1, 2012

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

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

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

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

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

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

- PFRS 10, *Consolidated Financial Statements*

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

  An investor controls an investee when:

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

  Control is re-assessed as facts and circumstances change.

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

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

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

  - the nature of, and risks associated with, an entity's interests in other entities; and

- the effects of those interests on the entity's financial position, financial performance and cash flows.

- PFRS 13, *Fair Value Measurement*

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

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

  The amended PAS 19 includes the following requirements:

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

To be Adopted on January 1, 2015

- PFRS 9, *Financial Instruments*

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

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

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

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

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

Subsidiaries
Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights

that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

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

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

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus

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

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

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

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

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

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

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

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

Accounting for Non-controlling Interests (NCI)
NCI represents the portion of profit or loss, other comprehensive income and the net assets

not held by the Group and are presented separately in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the Parent Company's equity.

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

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

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

Segment Reporting
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating results are reviewed regularly by the Group's BOD, the chief operating decision maker (CODM) of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's BOD include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property and equipment.

The Group's businesses are operated and organized according to the nature of business provided, with each segment representing a strategic business unit, namely, the Hotel and Marketing operations segments.

The Group's only reportable geographical segment is the Philippines.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognized:

Rooms
Room revenue is recognized based on actual occupancy.

Food and Beverage
Food and beverage revenue is recognized when orders are served.

Rent and Related Income
Rent and related income on leased areas of the Group is accounted for on a straight-line basis over the term of the lease, except for cancellable leases which are recognized at amount collected or collectible based on the contract provision.

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

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

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

1. Cash and Cash Equivalents

Included in cash and cash equivalents as of September 30, 2012 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:

	Sept. 2012	**Sept. 2011**
Trade	168,578,112	136,800,213
Others	217,725,379	187,417,699
	386,303,491	**324,217,912**
Less allowance for doubtful accounts	(93,461,168)	(27,437,820)
Total	**292,842,323**	**296,780,092**

3. Inventories

This account consists of:

	Sept. 2012	**Sept. 2011**
Food and Beverage	18,126,204	15,029,591
Operating Supplies	16,807,617	12,281,176
Others	2,985,433	9,186,484
Total	**37,919,254**	**36,497,251**

4. Related Party Transactions

In 2010, the Parent Company extended interest-bearing, collateral free advances to MAHEC, TWGI and FORUM at a rate of two percent (2%) per annum.

In the ordinary course of business, companies with in the group extend/obtain non interest bearing, collateral free cash advances to/from one another and other related parties to finance working capital requirements, as well as to finance the construction of certain hotel projects except to TWGI, FORUM and MAHEC, which bear interest at 2% per annum.

TWGI and FHC accepted the settlement whereby the latter parties would settle their obligation by a series of term payment until 2015.

5. Accounts Payable and Accrued Expenses

This account consists of:

	Sept. 2012	Sept. 2011
Trade	298,506,878	776,477,499
Accrued Expenses	979,891,727	949,588,828
Others	338,546,124	157,060,477
Total	**1,616,944,729**	**1,883,126,804**

6. Loans Payable

This account consists of:

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

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

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

ICBC Loan
The Company had committed an event of default with respect to the payment of its US$15 million loan with the ICBC – Singapore Branch, which matured on 31 March 1998. On 03 June 2003, the loan was restructured by ICBC which stipulated six semi-annual installments payment of principal and interest until April 2006. In July 2004, the new management of the Company requested for a reprieve on loan principal payments due for the period, which the Company suggested to be placed at the end of the term of the Amended Agreement. The outstanding principal balance as of 30 September 2012 is US$8.080 million. Management is still negotiating with ICBC for a rescheduling of payments on the Company's remaining principal balances.

PBB
On June 10, 2011 and December 19, 2011, WCCCHI and WMCHI, respectively entered into a loan agreement with PBB amounting to Php300 million each with interest fixed at 12% per annum.

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

	Sept. 2012	Sept. 2011
Net Income (Loss)	77,318,224	58,145,561
Weighted Average Number of Shares Outstanding	2,498,991,753	2,498,991,753
Earnings (Loss) per share	**0.031**	**0.023**

There are no dilutive potential shares as of September 30, 2012 and 2011.

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.

10. Commitments and Contingencies

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

On December 8, 2009, the Parent Company received BIR's Final Decision on Disputed Assessment for deficiency taxes for the 2006 taxable year. The final decision of the BIR seeks to collect deficiency assessments totaling to P3.2 million. However, on January 15, 2010, the Parent Company appealed the final decision of the BIR with the Court of Tax Appeals (CTA) on the grounds of lack of legal and factual bases in the issuance of the assessments.

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

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 September 30, 2012 and 2011 together with its financial conditions as of the same period.

RESULTS OF OPERATIONS

	Sept. 2012	**Sept. 2011**
Revenues	**1,489,913,213**	**1,468,300,665**
Less: Costs and Expenses	1,096,073,855	1,064,702,826
Net Income (Loss) Before Fixed Financial and Other Charges	**393,839,358**	**403,597,840**
Less: Fixed Financial and Other Charges (Dep'n and Amort'n, and Interest)	303,098,810	322,568,148
Income (Loss) after Provision for Income Tax and before Share in Minority Interest	**90,740,548**	**68,525,786**
Share of Minority Interest	**13,422,325**	**10,380,225**
Net Income (Loss)	**77,318,224**	**58,145,561**
Earnings (loss) Per share	**0.031**	**0.023**

FINANCIAL CONDITION

	Sept. 2012	**Sept. 2011**
Assets		
Current assets	1,002,436,735	828,791,298
Non-current Assets	8,493,178,611	8,683,958,034
Total Assets	**9,495,615,346**	**9,512,749,332**
Liabilities and Stockholders' Equity		
Current Liabilities	2,447,462,911	3,032,826,165
Non-current Liabilities	2,431,384,613	1,501,778,562
Total Stockholders' Equity	3,894,615,113	4,275,249,670
Minority Interest	722,152,709	702,894,935
Total Liabilities and Stockholders' Equity	**9,495,615,346**	**9,512,749,332**

RESULTS OF OPERATIONS

Period ended September 30, 2012 compared to Period Ended September 30, 2011.

Income Statement

Hotels and other subsidiaries gross revenues for the 3rd quarter of 2012 and 2011 are 1.47B and 1.46B respectively, a slight increased of 0.15%. The decrease in the country's competitiveness as a tourism destination is also a factor that has affected us. Despite the unforeseen global events, 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 and generate an income of 990M. Operating expenses increased by 5.25%; this is mainly due to the increase in utility costs such as electricity, fuel and water.

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 is full of Chinese nationalities and businessmen and 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.

The company and the management itself continue to navigate to a position of incontestable strength and market leadership. To go beyond outside traditional markets and develop new revenue streams. And further enhance measures to decrease its operating cost without sacrificing the need and satisfaction of its guest/clients.

2nd QUARTER

During the 2nd quarter, several group bookings were cancelled due to Philippine-China dispute over Scarborough shoal and worsening word war among citizens. Plainly on this quarter, the hotel relied on other tour groups' bookings and social functions.

Despite this matter, the management strongly envisions to continuously 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.

3rd QUARTER

In all regions of the world, the hotel sector has suffered soft revenue. 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.

TOP FIVE (5) PERFORMANCE INDICATORS

	Jan-Sept 2012	Jan-Sept 2011
Occupancy Percentage	61%	64%
Average Room Rates	2,148	2,062
Food Covers	199,910	214,632
Average Food Checks	351	363
Average Food Costs	34%	33%

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

Average Room Rate
Average room rate is 4.17% higher compared to 3rd quarter of last year. This is one of the alternative strategies of the marketing operations to bend the room rate to take advantage after a global economic recovery. In addition, the new lobby, even better services and the more techy marketing strategies attracts more guests for business transactions and "staycations". 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 6.86% compared to the 3rd quarter of 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 decreased by 3.31% compared to 3rd quarter of 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 1% from previous year of the same quarter. This is mainly due to the fewer functions and conventions this quarter compared to the same quarter last year. Average Food Cost is computed by dividing the total food and beverage revenue by total food cost.

Revenues and Earnings per Share
Revenues increased by 0.15% for the 3rd quarter of 2012 as compared to previous year of the same quarter while operating expenses increased by 2.95%. Such increased in revenues and increase in operating expenses still resulted to a net income of P77 million, which is 33% higher compared to last year same quarter.

Earnings per share this quarter is a (P0.031) while same quarter last year was (P0.023).

Fixed Financial and Other Charges
Total fixed financial and other charges for this quarter is 12% lower compared to same quarter last year. This account includes the depreciation and interest expense from bank loans.

Interest Expense this quarter is increased by 0.49% compared to the 3rd quarter last year.

FINANCIAL CONDITION

Cash and Cash Equivalents
Cash and cash equivalents as of the 3rd quarter of this year is Php120 million compared to last year's 3rd quarter of Php84 million; an increased of 43%.

Receivables
Receivables for the period decreased by 1.35% from P296 million 3rd quarter last year to P292 million 3rd quarter this year. The decreased was attributable to the company's rigorous monitoring of credit sales and credit term policies.

Inventories
Inventory for this quarter is higher than that of last year's---Php38 million this year while last year was Php36 million. Best effort was exerted to maintain the inventories on a very reasonable level. The company was nimble enough to react quickly to changes in customer demand and do it with little inventory to prevent a long lead times in-order to minimize cost.

Due from related parties-current portion
This account has increased by 39% from last year's first quarter. This also represents interest bearing advances with MAHEC, TWGI, PRC and FHI at a rate of two percent (2%) per annum. Advances to TWGI, PRC and FHI are expected to be fully settled by 2015, while MAHEC is expected to pay in full before 2015.

Property, Plant and Equipment
There is a decrease of 0.82% on this account. This is mainly due to depreciation.

Accounts Payable and Accrued Expenses
This account has decreased by 14%. The reason for this is that the company has tried to avail of the prompt payment discount offered by some suppliers whenever there is an excess fund.

Loans Payable
There is an increased of 21% million on this account. This is due to the additional loan from Phil. Business Bank. This account also pertains to the loans from Social Security System and Industrial Commercial Bank of China. The loan from COSCO Prime Holdings has been fully paid.

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

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 non-trade receivables. The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk from other financial assets of the Group, which mainly comprise of due from related parties, the exposure of the Group to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Other than certain receivables and due from related parties which were provided with an allowance for impairment losses, 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 are sufficient working capital inflows to match repayments of short-term debt.

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

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.

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

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

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

During this year and as of September 30 , 2012, there were no transfers between levels if this financial asset.

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, 2011.

The fair value of other noncurrent liabilities was calculated by discounting expected future cash flows at prevailing market rates.

ADDITIONAL REQUIREMENT (SRC Rule 68)

A schedule showing financial soundness indicators in two comparative periods:

CURRENT / LIQUIDITY RATIO

Current Ratio	September 30, 2012	September 30, 2011
Current Assets	1,002,436,735.00	828,791,298.00
Current Liabilities	2,447,462,911.00	3,032,826,165.00
Ratio	0.410	0.273

Quick Ratio	September 30, 2012	September 30, 2011
Cash + Accounts Receivable + Short Term Marketable Securities	413,597,576.00	381,384,144.00
Current Liabilities	2,447,462,911.00	3,032,826,165.00
Ratio	0.169	0.126

Cash Ratio	September 30, 2012	September 30, 2011
Cash + Short Term or Marketable Securities	120,755,253.00	84,604,052.00
Current Liabilities	2,447,462,911.00	3,032,826,165.00
Ratio	0.049	0.028

SOLVENCY RATIO

Current Liabilities to Equity Ratio	September 30, 2012	September 30, 2011
Current Liabilities	2,447,462,911.00	3,032,826,165.00
Total Equity	3,894,615,113.00	4,275,249,670.00
Ratio	0.628	0.709

Total Liabilities to Equity Ratio	September 30, 2012	September 30, 2011
Total Liabilities	4,878,847,524.00	4,534,604,727.00
Total Equity	3,894,615,113.00	4,275,249,670.00
Ratio	1.253	1.061

Fixed Assets to Equity Ratio	September 30, 2012	September 30, 2011
Fixed Assets	6,416,825,697.00	6,469,684,146.00
Total Equity	3,894,615,113.00	4,275,249,670.00
Ratio	1.648	1.513

Asset to Equity Ratio	September 30, 2012	September 30, 2011
Total Assets	9,495,615,346.00	9,512,749,332.00
Total Equity	3,894,615,113.00	4,275,249,670.00
Ratio	2.438	2.225

INTEREST COVERAGE RATIO

Interest Coverage Ratio	September 30, 2012	September 30, 2011
Net Income Before Tax + Interest Expense	202,872,328.00	192,624,834.00
Interest Expense	112,131,780.00	111,595,142.00
Ratio	1.809	1.726

PROFITABILITY RATIO

Return on Sales (Profit Margin) Ratio	September 30, 2012	September 30, 2011
Net Income After Taxes	90,740,548.00	68,525,786.00
Net Sales	1,489,913,213.00	1,468,300,665.00
Ratio	0.061	0.047

Return on Assets (ROA) Ratio	September 30, 2012	September 30, 2011
Net Income After Taxes	90,740,548.00	68,525,786.00
Total Assets	9,495,615,346.00	9,512,749,332.00
Ratio	0.0096	0.007

Return on Equity	September 30, 2012	September 30, 2011
Net Income After Taxes	90,740,548.00	68,525,786.00
Total Equity	3,894,615,113.00	4,275,249,670.00
Ratio	0.023	0.016

WATERFRONT PHILIPPINES, INCORPORATED & SUBSIDIARIES
SCHEDULE OF AGING OF ACCOUNTS RECEIVABLE FOR SEC REPORTING
As of September 30, 2012

Trade Receivables	**0-30 days**	**31-60 days**	**61-90 days**	**91-120 days**	**121 days over**	**TOTAL**
Waterfront Cebu City Hotel & Casino	14,038,062.51	955,388.27	450,719.77	22,600.00	1,910,640.64	17,377,411.19
Waterfront Airport Hotel & Casino	7,644,036.14	44,165.01	12,602.04	-	1,532,875.48	9,233,678.67
Waterfront Insular Hotel Davao	3,160,112.23	1,876,156.76	263,028.77	1,179,788.51	3,710,352.65	10,189,438.92
Manila Pavilion Hotel	10,627,463.32	1,277,649.95	1,253,936.87	306,994.60	10,352,598.91	23,818,643.65
G-Hotel	818,259.78	731,928.50	41,840.80	27,686.00	663,747.75	2,283,462.83
Total	**36,287,933.98**	**4,885,288.49**	**2,022,128.25**	**1,537,069.11**	**18,170,215.43**	**62,902,635.26**