

# ACESITE (PHILIPPINES) HOTEL CORPORATION

July 18, 2013

Dear Stockholder:

Please be advised that the annual meeting of the stockholders of the Corporation, as fixed by the Board of Directors of ACESITE (PHILIPPINES) HOTEL CORPORATION will be held on Friday, September 6, 2013 at 4:00 p.m. at the Peony Garden, Third Floor, Manila Pavilion Hotel, Ermita, Manila, for the purpose of transacting the following business:

- 1. Call to Order
- 2. Report on Attendance and Quorum
- 3. Approval of Minutes of Stockholders' Meeting held on August 10, 2012
- 4. Report to Stockholders for the Year 2012
- Ratification of Acts of the Board and Management for 2012
- 6. Election of Board of Directors for the Ensuing Term
- 7. Appointment of External Auditor
- 8. Appointment of External Counsel
- Amendment of Article FIRST and Addition of Article ELEVENTH of the Articles of Incorporation re Use the Business Name "The Manila Pavilion Hotel" and "Waterfront Manila Pavilion Hotel"
- 10. Other Business as may properly come before the Meeting
- 11. Adjournment

The record date for the purpose of determining the stockholders who are entitled to vote in said stockholders' meeting is August 13, 2013. The stock and transfer book will be closed from August 14, 2013 to September 6, 2013

As fixed by the Board of Directors, stockholders of record as of August 13, 2013 shall be entitled to notice of, and vote at, said stockholders' meeting, and for this purpose, the Board of Directors authorized the closing of the stock and transfer book of the Corporation during the period August 14, 2013 to September 6, 2013.

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

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

ARTHUR R. PONSARAN

Corporate Secretary
7/F Manila Pavilion Hotel

United Nations Ave. corner Ma. Orosa St.

Ermita, Manila

#### SECURITIES AND EXCHANGE COMMISSION SEC FORM 20-IS INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

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However, if you cannot attend and wish to send a representative/groxy, a proxy form is available at the office of Acesite (Phils.) Hotel Corporation, located at Room 610 Mamila Pavilion Hotel, United Nations Avenue corner Maria Orosa Street, Ermita, Manila, or at the RCBC Stock Transfer Department, located at 9th Floor, RCBC Plaza, corners Sen. Gil Puyat and Ayala Avenues, Makati City. Kindly submit the duly filled up form to Acesite office on or before 14 August 2013. On 6 September 2013, you should bring your copy of the proxy form and any valid ID (i.e. driver's license, company ID, etc.) for easy identification and convenient registration.

1. 1	Mark	the	appn	opri	ate	box:
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[ ] Preliminary Information Statement
[X] Definitive Information Statement - Amended

Name of Registrant ACESITE (PHILS.) HOTEL CORPORATION

Province, country of incorporation

Manila, Philippines

SEC Identification Number

7199

5. BIR Tax Identification Code

002-856-627

 7th Floor, Manila Pavilion Hotel, United Nations Avenue corner Maria Orosa Street, Ermita, Manila, 1000

Address of Principal Office and Postal Code

7. Registrant's telephone number

(632) 526-1212 extension 2403

 6 September 2013 at 4:00 in the afternoon 3rd Floor, Peony Garden, Manila Pavilion Hotel, United Nations Avenue corner Maria Orosa Street, Ermita, Manila, 1000

Date, time and place of the meeting of security holders

 Approximate date on which this SEC Form 20-IS is first to be sent or given to security holders: 14 August 2013

#### 10. Title of Each Class

Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding

-11-01-00-00-00-00-00-00-00-00-00-00-00-		Issued	None
Preferred		Authorized	20,000
		Treasury	1,353,000
	200	Issued	344,747,520
Common		Authorized	1,200,000,000

11. Are any or all of registrant's securities listed on a Stock Exchange?

Yes [x]

No []

346,100,520 of issued common shares of Acesite (Phils.) Hotel Corporation are listed in the Philippine Stock Exchange of which 1,353,000 shares are in treasury to date and the remainder of 344,747,520 common shares are outstanding.

#### INFORMATION REQUIRED IN INFORMATION STATEMENT

#### GENERAL INFORMATION

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

The stockholders' meeting shall be held on Friday, 6 September 2013, 4:00 p.m. at the 3rd Floor, Peony Garden, Manila Pavilion Hotel, United Nations Avenue comer Maria Orosa Street, Ermita, Manila, 1000. The complete mailing address of the principal office of Acesite (Phils.) Hotel Corporation is 7<sup>th</sup> Floor, Manila Pavilion Hotel, United Nations Avenue, Ermita, Manila, 1000.

14 August 2013 is the approximate date on which the Information Statement (SEC Form 20-IS) is first to be sent or given to security holders:

#### Item 2. Dissenter's Right of Appraisal

Pursuant to Title X of the Corporation Code, a stockholder has the right to dissent and demand the payment of the fair value of his shares: (i) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class or of extending or shortening the term of corporate existence; (ii) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property or assets; and (iii) in case of merger or consolidation.

The Company is not aware of any corporate action or matter to be taken up at the Annual Meeting of the Stockholders on 6 September 2013 that will give rise to the exercise of a stockholder of the right of appraisal.

However if at any time after this information Statement has been sent out, an action which may give rise to the exercise of a stockholder of the right of appraisal is proposed at the meeting, any stockholder who wishes to exercise such right and who shall have voted against the proposed action must make a written demand within thirty (30) days after the date of the meeting or when the vote was taken, for the payment of the fair values of his shares. Upon payment, the certificate of stock must be surrendered. Furthermore, no payment shall be made to a dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment.

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

- Other than election to office, no director or officer has any substantial interest in any matter to be acted upon during the Annual Meeting of Stockholders on 6 September 2013.
- No director intends to oppose any action to be taken at the said meeting.

#### CONTROL AND COMPENSATION INFORMATION

# Item 4. Voting Securities and Principal Holders Thereof

- As of 31 July 2013, there are 346,100,520 subscribed and issued common shares, 1,353,000 shares are treasury shares. Each of the 346,100,578 outstanding common shares is entitled to one vote. Of the authorized 20,000 shares of preferred stock, none have been issued. The preferred shares are not entitled to vote.
- All stockholders on record as of 13 August 2013 are entitled to receive notice and to vote at the Annual Meeting of the Stockholders on 6 September 2013.
- 3. As provided for under Section 24 of the Corporation Code, a stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected.
- 4. Security Ownership of Certain Record and Beneficial Owners and Management
  - SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS

As of 31 July 2013, the stock transfer book of the corporation showed the following record owners:

Title of Class	Name and Address of Record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common Shares	Waterfront Philippines, Inc. <sup>1</sup> 7 <sup>th</sup> Fir. Manila Pavilion Hotel, UN Ave., cor M. Orosa, Ermita, Manila (Parent Company)		Filipino	192,045,057	55.49%
Common Shares	PCD Nominee Corporation <sup>2</sup>	Various Owners		130,029,093	37.57%

Waterfront Philippines Inc. (WPI) is a publicly listed corporation on the Philippine Stock Exchange. The board of directors of WPI, as a group of natural persons acting together, directs the voting disposition of shares by WPI. The following are directors of WPI: Messrs. Arthur M. Lopez, Renato B. Magadia, Kenneth T. Gatchalian, Lamberto B. Mercado, Reno Magadia, Sergio Ortiz-Luis Jr., Ruben D. Torres, Ms. Dee Hua Gatchalian, and Ms. Elvira A. Ting.

<sup>2</sup>PCD Nominee Corporation has various beneficial owners. Majority holder is the I. B. Gimenez Securities, Inc. with 40.03% of the total shares. B. H. Chua Securities Corp.

followed at 13.53% of the total shares. COL Financial Group, Inc. is next at 6.89% of the total shares. Westlink Global Equities, Inc. is next at 5.69% of the total shares and the rest of the owners has below 5% ownership.

# b) SECURITY OWNERSHIP OF MANAGEMENT

As of 31 July 2013, the following are the record and beneficial ownership of directors and management:

Title of Class	Name of Beneficial Owner	Position	Citizenship	A	ture and mount wnership	%
Common	Arthur M. Lopez*	Chairman	Filipino	D	350	0.0001%
Common	Renato B. Magadia	Vice-Chairman	Filipino	D	350	0.0001%
Common	Kenneth T. Gatchalian	President	Filipino	0	350	0.0001%
Common	Elvira A. Ting	Treasurer	Filipino	D	350	0.0001%
Common	Arthur R. Ponsaran	Corporate Secretary	Filipino	D	350	0.0001%
Common	Vicente C. Atilano*	Director	Filipino	0	3,500	0.0010%
Common	Sergio R. Ortiz-Luiz, Jr *	Director	Filipino	D	350	0.0001%
Common	Pablo M. Gancayco	Director	Filipino	D	350	0.0001%
Common	Lamberto B. Mercado, Jr.	Director	Filipino	D	350	0.0001%
Common	Dee Hua Gatchalian	Director	Filipino	D	3,850	0.0011%
Common	Norma T. Azores	EVP - Operations	Filipino	D	196	0.0001%
Common	Silvestre H. Bello, Jr.	Director	Filipino	D	3,500	0.0010%
	Total Benefic	ial Ownership	m==338		13,846	0.0040%

\* - Independent Director

D - Direct

I - Indirect

The beneficial ownership of directors and executive officers as a group amount to 13,846 shares or 0.0040% of the Company shares. No director has any warrants, stock rights or options that would give the right to acquire additional shares.

# c) VOTING TRUST HOLDERS OF 5% OR MORE

The Company knows of no voting trust holders of 5% or more.

# d) CHANGES IN CONTROL

There are no arrangements that may result in a change in control of the Company.

# e) EQUITY OWNERSHIP OF FOREIGNERS AS OF JULY 30, 2013

Citizenship	Class	Ownership	Percentage
American	Common	20,051	0.0058%
British	Common	9,251,256	2.6730%
Chinese	Common	2,229	0.0006%
Flipino	Common	284,314,367	82.1479%
Others	Common	52,512,421	15,1726%
Portugues	Common	196	0.0001%
Total		345,100,520	100.0000%

SEC Form 204S Acesite (Phils.) Hotel Corporation

#### Item 5. Directors and Executive Officers

All directors joined the Board on 24 June 2004 except for Ms. Dee Hua Gatchalian, who was elected July 19, 2005, Mr. Vicente C. Atilano elected as independent auditor June 20, 2007, Mr. Silvestre H. Bello, Jr., elected on July 20, 2009 and Mr. Sergio R. Ortiz-Luiz, Jr. as replacement of Mr. Philip A. Encarnacion and elected last February 25, 2013. All are expected to be on the Board until 6 September 2013. Per recommendations of the Nominations Committee, all current directors, will be nominated to the Board again during the Company's annual stockholders' meeting. The qualifications (including the ages, nationalities, current and past position held and business experience for the past five years) of the nominees are as follows:

Arthur M. Lopez, 88 Filipino Arthur M. Lopez is the Principal Consultant of AML Hotel Consultants, an independent Hotel Consultancy engaged in Hotel Design Development/Technical Services, Hotel Feasibility Study, Pre and Post Hotel Opening Services and Asset Management/Owner's Representative.

He is currently the Management Consultant of the Bellevue Bohol Resort in Panglao, the Bellevue Hotel Manila, The B Hotel Manila; Director of Asia Pacific Top Management International Resources Corporation (Federal Land), owner of Marco Polo Cebu; Director of Philippine Estates Corporation, a public listed company – Philippine Stock Exchange (PSE); Chairman of Acesite Philippines Hotel Corporation, a public listed company – Philippine Stock Exchange (PSE), owner of Manila Pavilion Hotel; Director of Waterfront Hotels and Casinos, a public company – Philippine Stock Exchange (PSE). He is currently working on several hotel developments in the Philippines.

He was recently the Management Consultant and assisted in the management and technical services agreement negotiation of Federal Land's Grand Hyatt Project at the Fort Bonifacio, Taguig City: Owner's Representative and Advisor of Four Points by Sheraton Kuching, Sheraton Beach Resort Langkawi, Malaysia, Helang Airport Hotel Langkawi, Malaysia, Santubong Resort Langkawi, Malaysia and Four points by Sheraton Langkawi in Malaysia. He negotiated the management contract and conversion to franchise agreement with Starwood Hotels and

Resorts of these properties in Malaysia.

He was the Pre-Opening Hotel Management and Technical Services Consultant of Bloomberry Casino Hotels & Resorts/Solaire Hotel and Casino; Regional Director/Asia Pacific of Palmerston Hotels & Resorts; Senior Adviser of Department of Tourism, Philippines; General Manager of Sheraton Hotels in Melbourne, Darwin, Alice Springs and Ayers Rock in Australia, Sheraton Auckland, New Zealand and Westin Philippine Plaza. Resident Manager of Century Park Sharaton Manila, Vice President and Area Manager of ITT Sheraton Australia; Country Manager Philippines of Starwood Hotels and Resorts; Philippine Representative of Caesar's Palace; Management Consultant at the Rarotongan Beach Resort & Spa and the Aitutaki Lagoon Resort and Spa in Cook Islands. He was the Asia Pacific and Country Manager of CCA International Ltd., Managers of 45 clubs worldwide including the Tower Club Manila. He held various

Management positions in Sales and Marketing, Rooms Division and Food & Beverage in ITT Sheraton Hotels and Hilton International. Mr. Lopez has also completed hotel and business club consultancy work in Japan, Palau, china, Vietnam and Indonesia.

He holds a Bachelor of Science in Commerce degree, Major in Management, a Master's Degree in Business Administration (MBA), both from the University of Santo Tomas in the Philippines and Tourism Management at the East-West Center in Honolulu, Hawaii, USA.

Renato B. Magadia, 75 Filipino Mr. Magadia is a certified public accountant by profession. He was elected Vice-Chairman of Acesite (Phils.) since 24 June 2004 and Chairman of the Risk Management Committee of the Company since 12 July 2004. Mr. Magadia has been a director of WPI since 1999 and, at present, the chairman and chief executive officer of WPI. He also holds post as Chairman of the Board of Misons Industrial and Development Corp., Metro Alliance Holdings and Equities Corp., All Oceans Maritime agency, Inc., Howden Insurance and Reinsurance Brokers (phils.), Inc., Lancashire Realty Holding Corporation, Mercator Holdings & Management Corp. He is, concurrently, a director of Accette Life & Accident Insurance Brokers, Inc., Manchester International Holdings Unlimited Corp., Phil, Estates.

Vicente C. Atilano 60 Filipino Mr. Vicente Atilano is a graduate of Ateneo de Manila AB Economics 1974 and obtained his post graduate degrees at the University of Asia and the Pacific (Manila, Philippines) - Master in Business and Economics, 2000; Swedish Management (Stockholm, Sweden) - Applied International Management Program, 1987; and International Management Institute (Geneva, Switzerland) - Financial Management, 1983. He founded Kohl Industries, Inc. where he is the Chairman and President from 2002 up to the present. Currently, he is also the Chairman and President of Sanosil Phils., an affiliate of Sanosil Zurich.He was the founding president and stockholder from 1990 to 2000 of Corporate Investments, Philis., Inc. He was the Chairman of the Board of ATP Technologies, Inc. from 1998 to 2000 and President and Vice-Chairman of TIPO Valley Realty Corporation from 1998 to 2001. He was the Chairman of Philippine Foundation for Cultural & Education Development, Inc. (PFCED) from 1988 to 2000, President and Director of CIPI Realty, Inc. from 1996 to 2000. He was also the Assistant Vice-President/Assistant Treasurer of First Philippine Capital Corporation from 1976 to 1981. He became Executive Vice President and Board Director of Philippine Commercial Capital, Inc. from 1983 to 1989. He became a Director of Acesite (Phils.) Hotel Corporation on 20 June 2007.

Elvira A. Ting, 52 Filipino Ms. Ting was elected director and Treasurer of the Company since 24 June 2004. She earned her bachelor's degree in business administration, major in management, from the

Philippine School of Business Administration. She has been a director of WPI since October 2000. She is concurrently, the vice-chairperson and a director of Forum Pacific Inc. She is president of Phil. Estates and vice president of Wellex Industries, Inc. She is a director of Orient Pacific Corporation, Crisanta Realty Development Corporation, Recovery Development Corporation and the Wellex Group, Inc.

Arthur R. Ponsaran, 70 Filipino Arthur R. Ponsaran, a Director and Corporate Secretary of the Company since 24 June 2004, earned his Bachelor of Laws from the University of the Philippines. He is also a Certified Public Accountant. He is the Managing Partner of Corporate Counsels, Philippines Law Office. He is also the Corporate Secretary of among others, Waterfront Philippines, Inc., Chemrez Technologies, Inc. and MRL Nickel Philippines, Inc. Mr. Ponsaran is a member of the Integrated Bar of the Philippines and the New York Bar as well as the Philippine Institute of Certified Public Accountants.

Kenneth T. Gatchalian, 37 Filipino Mr. Kenneth Gatchalian holds a degree in bachelor of science in architecture from the University of Texas. He was elected as one of the directors of the Company since 24 June 2004. He was elected President and CEO of the Company since June 25, 2007. He has been a director of WPI since February 2001. He is concurrently the President of WPI and a director of Forum Pacific, Inc. and Wellex Industries, Inc. .

Sergio R. Ortiz-Luis, Jr., 70 Filipino

He has degrees of Bachelor of Arts and Bachelor of Science in Business Administration from De La Salle University; PhD Humanities from Central Luzon State University, PhD Business Technology from Eulogio "Amang" Rodriguez Institute of Science and Technology. He is the President of Philippine Exporters Confederation, Inc. AN Honorary Chairman of Philippine Chamber of Commerce & Industry, Employers Confederation of the Philippines as well as Integrated Concepts & Solutions, Inc. He is the Vice Chairman of the Philippine Small & Medium Development Enterprises Development, Alliance Global, Inc. Export Development Council. He is a Director of Manila Exposition Complex, Inc. Lasaltech Academy, Philippine Estate Corporation, BA Securities, Rural Bank of Bagulo, PILAK Foundation, Universal Access Center Trade and Philippine International Training Corporation. He is a Council Adviser Member of Philippine Foundation, Inc., a Founding Director of International Chamber of Commerce of the Philippines and GS1. He is also a member of the Board of Advisers of Southville International School and Colleges. He is a commissioner of Patrol 117, a Financing Champion of National Competitiveness Council and a Private Sector Representative of Bamboo Council. He is also a Chairman of Rotary Club of Greenmeadows Foundation and also a Chairman of Council of Advisers Eastern Police District. He is the past president of Rotary Club Greenmeadows Quezon City RI District 3780; a Board of Advises Member of

Council of Advisers Philippine National Police, a senator of Philippine Jaycee Senate, Captain of Philippine Coastguard Auxiliary and a member of the League of Corporate Foundation. He is the Honorary Consul General of Consulate of Romania in the Philippines, a Treasurer of Consular Corps of the Philippines and an Honorary Adviser of International Association of Education for World Peace. Some Awards that he received were International Peace Award fro Economic Development in 2005, Most Outstanding Citizen of Nueva Ecija in the field of business in 2005 also, Most Outstanding Pasigueno in 2006, Ulirang Ama also in 2006 and Presidential Merit Award Medal in 2007. He became an Independent Director of Waterfront Philippines, Inc. since August 2009 to present and an Independent Director of Acesite (Phils) Hotel Corp since February 2013 to present.

Lamberto B. Mercado, Jr., 48 Filipino Atty. Mercado is the Vice-President for Legal of the Wellex Group, Inc. He was elected as one of the Directors of the Company since 24 June 2004. He is a graduate of the Ateneo de Manila University School of Law. Atty. Mercado is a certified public accountant. Prior to his post in Wellex Group, he was connected with the Subic Bay Metropolitan Authority (SBMA). From November 1993 to July 1997, he was the chief of staff of SBMA. He also served as president of the Freeport Service Corporation in SBMA from August 1996 to January 1998. He was appointed deputy administrator for administration in February 1997, a post he held until August 1998.

Pablo M. Gancayco, 55 Filipino Atty. Gancayco, a director of the Company since 24 June 2004, is a senior partner of the Gancayco, Balasbas & Associates Law Offices. He obtained his bachelor of arts in political science and bachelor of laws from the University of the Philippines. He took a masteral level intensive course on industrial property from the University Robert Schuman in Strasbourg, France. His expertise is in Intellectual Property Law and holds the posts of president and director of the Intellectual Property Association of the Philippines (the association of all intellectual property law practitioners in the Philippines) council member and country head of the Asian Patent Attorneys Association and councilor of the ASEAN Intellectual Property Association. He is the Philippine group head to the Association Internationale pour la Protection de la Propriete Industrielle. He is also adept in litigation and corporate law practice. At present, Atty. Pablo M. Garicayco is a director of the Freeport at Bataan, a Past District Governor of Rotary International District 3780, the Chairman of the Board of Philippine College of Rotary Governors, an officer and member of many other corporations, foundations and organizations.

Dee Hua Gatchalian, 64 Filipino Mrs. Gatchalian was elected director of the Company since 19 July 2005. Mrs Gatchalian is the Executive Vice-President of the Wellex Group, Inc., and also the Executive Vice-President of Plastic City Corporation. She is concurrently a director in Philippine Estates Corporation, and Waterfront Philippines, Inc. Mrs. Gatchalian graduated with a degree in Medical Technology from the Far Eastern University in 1970. In addition to her numerous positions in business firms, she is the Chairperson of Jesus Our Life Ministries, Inc., a non-profit, non-stock organization duly registered with the Securities and Exchange Commission and a Chairperson of Dakilang Handog Foundation, a non-profit, non-stock organization.

Silvestre H. Bello, Jr., 79 Filipino

Mr. Bello, Jr. holds a degree of Bachelor of Law from the Manuel L. Quezon School of Law. From July 1959 to May 31, 1986 he held different positions in the Commission on Elections. optionally retired with the Commission on Elections on June 30. 1986 as Director for Operations. From July 1986 to December 1988, he was in the private practice of law. On December 8, 1988, he was appointed as Officer-In-Charge of the Office of the Provincial Governor of Isabela. On February 1992, he was appointed as Regional Trial Court Judge, Branch 24 of Echague. Isabela. In 1994, he was appointed as Regional Trial Court Judge of Branch 128 in Caloocan City. From August 2002 to February 2004 he was designated as Executive Judge of the Regional Trial Court of Caloocan City. On April 10, 2004 he retired from the judiciary as RTC Judge of Branch 128, Caloocan City. On July 20, 2009 he was elected as Director of the Board of the Association of Retired RTC Judges of the Philippines, Inc. On March 2010, 2011, and 2012 he was re-elected as Director of the Board of Association of Retired RTC Judges of the Philippines, Inc. Presently a Law Partner of the Ramirez Lazaro Bello Rico-Sabado & Associates Law Office since 2005.

Mr. Arthur Lopez, Mr. Vicente C. Atilanc and Mr. Sergio R. Ortiz-Luiz, Jr. are currently independent directors. They were nominated by Ms. Elvira Ting, who has no relations to them. They will continue to serve as independent directors upon re-election pursuant to SRC Rule 38 as adopted in to under the Company's By-laws on August 18, 2004, under which the appropriate report under 17-C was filed on November 12, 2004, which is hereby incorporated as reference. No other persons have been nominated.

Per recommendation of the Nominations Committee headed by Atty, Lamberto B. Mercado, Jr., with Messrs. Ricky Ricardo and Pablo Gancayco as members, the following will be nominated as executive officers at the Organizational Meeting of the Board of Directors:

Mr. Renato B. Magadia Mr. Kenneth T. Gatchalian Atty. Arthur R. Ponsaran Ms. Elvira A. Ting Ms. Norma T. Azores Mr. Ricky L. Ricardo Atty. Arsenio A. Alfiler, Jr.

Mr. Arthur M. Lopez

- Chairman
- Vice-Chairman
- President and Chief Executive Officer
- Corporate Secretary and Chief Information Officer
- Treasurer and Chief Financial Officer
- Executive Vice President and Chief Operating Officer
- Vice-President for Corporate Affairs
- Assistant Corporate Secretary and Compliance Officer

Norma T. Azores, 66 Filipino Ms. Azores has been connected with the company for the past forty years, eleven years of which as a director, a post she held until 24 June 2004. She was the treasurer of the Company from 1994 until June 2004. She was elected vice-president of the Company in 1998. She is currently the Executive Vice-President and the Chief Operating Officer of the Company. Ms. Azores is a graduate of bachelor in business administration, curn laude and is a certified public accountant. She was a director and Corporate Secretary of CIMA Realty Phils., Inc. until August 2004.

Ricky L. Ricardo, 49 Filipino Mr. Ricardo is the Vice President for Corporate Affairs of the Company since 2004 and currently the Vice President for Strategic Initiatives of the Wellex Group, Inc. He is a graduate of the Ateneo de Manila University with degrees in Management and Economics. He started in banking and corporate lending with the Far East Bank and Trust Company, and later handled corporate planning for the Philippine Banking Corporation. He has previously worked with AEA Development Corporation, an investment house, and he has also served in the government under both the Office of the Prime Minister and the Department of Finance.

Arsenio A. Alfiler, Jr., 67, Filipino Atty. Alfiller, Jr. has been the Assistant Corporate Secretary of Acesite since 2005 and concurrently Compliance Officer since 2009. He holds a bachelor of arts degree in public administration and bachelor of laws from the University of the Philippines. He was an associate lawyer in Gonzalo Gonzalez Law Office (1972 to 1977) and an in-house legal counsel in Bancom Development Corporation (1977-1981), Union Bank of the Philippines (1982-1987), AsianBank Corporation and AB Capital and Investment Corporation (1987-2003) and Asiatrust Bank (January – July 15, 2004). He is a partner in Corporate Counsels, Philippines Law Offices.

#### Significant Employees

Christopher Park, 47 Robert

Mr. Park is our General Manager for Manila Pavilion since 2007. Mr. Park is a graduate of the Swiss Hotel Association Hotel Management Schools Les Roches in Valais, Switzerland in Hotel & Tourism Management. Mr. Park Joined WPI in July 2007 and prior to this he held senior positions in Roasters Philippines, Inc. He was the General Manager of Fort Ilocandia Resort and Casino. EAM in the Manila Hotel, Vice President for Operations of the Legend International Resorts, Ltd of the Metroplex Group in the Philippines and Malaysia, Hotel Equatorial in Kuala Lumpur and among others.

There are no other persons who are not Executive Officers that are expected to make significant contribution to the Company.

#### Family Relationships

Mr. Kenneth T. Gatchalian is the son of Ms. Dee Hua Gatchalian. Ms. Elvira A. Ting is a sister of Ms. Dee Hua Gatchalian, and is a maternal aunt of Mr. Kenneth T. Gatchalian. Aside from them, no family relationship up to the fourth degree of consanguinity or affinity exists among the directors and executives.

### Involvement in Certain Legal Proceedings of Control Persons

Messrs. Arthur M. Lopez, Renato B. Magadia, Kenneth T. Gatchalian, Sergio R. Ortiz-Luis, Jr. and Lamberto M. Mercado and Ms. Elvira A. Ting and Ms. Dee Hua Gatchalian are directors of WPI. None of the directors or officers has been involved in any legal, administrative or criminal proceedings for the past five years.

#### Certain Relationships and Related Transactions

- (A) 1. Ms. Norma T. Azores, the Executive Vice-President and Chief Operating Officer of the Company, was a director and Corporate Secretary of CIMA Realty until August 2004.
  - Mr. Ricky L. Ricardo, Vice-President for Corporate Affairs (Acesite) and Director of CIMA Realty. Also holds a Director position for Mayo Bonanza, Philippine Estates Corporation, Wellex Industries, Inc. and Director and Corporate Secretary of the Wellex Group, Inc.
  - As related in Note no.11b of the Notes to Financial Statements, the Corporation had invested in 86,710,000 shares of stock in Wellex industries, Inc., an affiliated company listed on the Philippine Stock Exchange, at P0.50 per share or a total of P43,355,000.00.
    - a. The Corporation invested in the above marketable security in order to diversify its current asset portfolio in listed companies with a broad upside potential.
    - Waterfront Philippines, Inc., parent company of the Corporation, is majority owned by the Wellex Group, Inc., which also controls Wellex Industries, Inc.
    - c. The acquisition price of P0.50 per share represents a 13.7% discount to the net book value of P0.58 per share of Wellex Industries, Inc. as of 31 December 2005.
    - d. The Risk Management Committee has evaluated the transaction in accordance with certain norms, including investment risk, market liquidity, projected price-earnings ratio, net asset value and control ability, and has concluded that the investment is fair and reasonable at the acquisition price and volumes.
    - e. There are no other transactions with parties that fall outside the definition of "related parties" but with whom the Corporation may have a relationship that enables the parties to come to terms in a different manner as compared to independent parties on an arm's length basis.

#### (B) PARENTS OF THE REGISTRANT

 Waterfront Phils., Inc., which, as of 30 July 2013 held 55.49% of the Company, is an investment holding company for the hotel, leisure and tourism businesses registered with the SEC on 23 September 1994.

# (C) RELATED PARTY TRANSACTIONS

For details please refer to Notes No. 11 of Financial Statements.

#### 1. Resignation of Directors

No director has resigned or declined to stand for re-election to the board of directors since the last date of stockholder's meeting due to a disagreement relating to the operation, policies or practices of the company, and no director has furnished the registrant with a letter describing any such disagreement, requesting that the matter be disclosed.

Mr. Philip A. Encarnacion, Independent Director resigned from his position as last February 23, 2013 due to lack of time to attend to duties of a director because of his other professional commitments.

#### Item 6. Compensation of Directors and Executive Officers

#### 1. Executive Compensation

#### General

Ms. Elvira A. Ting, an executive officer elected on 18 August 2004 and has not been remunerated with a compensation package. Ms. Norma T. Azores who was elected Executive Vice-President for Operations and Mr. Ricky Ricardo, Vice-President for Corporate Affairs are regular employees and will receive remuneration for the year. Hotel executives are also regular employees of the Company and will similarly receive compensation package for the year. In addition, Mr. Ricardo and the executive officers of the hotel can receive whatever gratuity pay the Board may extend to the managerial, supervisory and rank and file employees.

#### COMPENSATION TABLE

Name	Position	Year	Salary	Bonus	Others
Kenneth T. Gatchalian	President and CEO			1	
Norma T. Azores	EVP and COO			ì	
Ricky Ricardo	VP, Corporate Affairs				
Christopher Robert Park	General Manager			!	
Alan Chan	Executive Chef			1	
Aggregate for above Named officers		2011 2012 2013 (est.)	10,372,423 7,836,813 9,100,000	-	30,000 30,000 30,000
All other officers and di as a group unnamed	rectors	2011 2012 2013 (est.)	-	:	1,041,577 1,049,128 1,215,000

SEC Form 20-IS Aceste (Phils.) Hotel Corporation For the ensuing year (2013), the aggregate compensation is expected to increase by approximately 16%.

#### COMPENSATION PLAN OF DIRECTORS

The members of the Board of Director are elected for a term of one year. Director per diems are pegged at a rate of R5,000.00 per board meeting. Except for the Chairman and the CEO, Directors, are not entitled to compensation package. Except as herein mentioned, no director received bonuses or profit sharing plans for the years ended 31 December 2011 and 31 December 2012.

EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT AND CHANGE-IN-CONTROL ARRANGEMENTS

The members of the Board of Directors and Executive Officers are elected for a term of one year. No director or officer has a compensatory contract in case of resignation, retirement, termination or change in control except for Mr. Ricky L. Ricardo. The latter is covered by standard employment contract and can be terminated with appropriate notice. As regular employee, Mr. Ricardo is eligible to receive the benefits under the company's retirement plan upon separation.

#### Warrants and Options Outstanding: Repricing

There are no outstanding warrants or options held by the Company's directors or executives.

#### Item 7. Independent Public Accountants

The accounting firm of KPMG Manabat San Agustin & Co. is the elected External Auditors for Acesite (Phils.) Hotel Corporation under Mr. Virgilio L. Manguilimotan - Partner in-charge. In compliance with SRC Rule 68, Paragraph 3(b)(iv) (re: compliance with the 5-year rotation of external auditors), the financial statements for the year ended 31 December 2012 were audited by the accounting firm of KPMG Manabat San Agustin & Co., while prior years financial statements for the years ended 31 December 2005, 31 December 2006 and 31 December 2007, were audited by the accounting firm of SGV & Company. The financial statements for 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011 were audited by the accounting firm of KPMG Manabat San Agustin & Co. A two year cooling off period shall be observed in the reengagement of the same signing partner.

Representatives of KPMG Manabat San Agustin & Co. will be present at the stockholders' meeting and are expected to be available to respond to appropriate questions. The accountants will have the opportunity to make a statement if they desire to do so.

Name of Previous accountant : SGV & Company, Ladislao Avila, Jr., handling partner

Date of Cessation from service: July 16, 2008

Reason for cessation To rotate auditors pursuant to SEC Rule 68 and to

streamline subsidiaries of Waterfront Phils. Inc. under the accounting firm of KPMG Manabat, San

Agustin & Co.

There are no disagreements with the previous auditor, nor have they issued any correspondence indicating any disagreement with the company.

#### Members of the Audit Committee:

Chairman - Sergio R. Ortiz-Luiz, Jr - Independent Director Member - Arthur M. Lopez - Independent Director Member - Vicente C. Atilano - independent Director

Member - Dee Hua T. Gatchalian - Director

# External Audit Fees

#### a. Audit Related Fees

- The aggregate fees for the audit of the registrant's annual financial statements or services that are provided by the external auditor in connection with statutory and regulatory filings amount to P1.095 million for 2012 and P1.030 million for 2011.
- There are no other assurance and related services rendered by the external auditor for the years 2011 and 2012.

#### b. Tax Advisory Fees

There are no Tax Advisory Fees for 2011 and 2012.

#### c. All Other Fees

No other audit fees were charged.

#### Audit Committee Procedures

The Audit Committee invites several auditing firms to provide information on their scope of audit services and their quotations on fee structure. An initial screening is made to determine if such firms can handle the scope of audit required by the Corporation. Desired firms are short-listed and considerations on comparative strengths of these candidates are evaluated by the Audit Committee. The quoted fee structure is similarly discussed to determine the best candidate for endorsement to the board of directors of the Corporation, which in turn, endorses the nominated audit firm to the stockholders for approval at the regular stockholder's meeting of the Corporation.

#### 2. Compensation Plans

The company has no plans to pay or distribute cash or non-cash compensation in the form of stock options, warrants or rights and any other type of compensation plan.

#### ISSUANCE AND EXCHANGE OF SECURITIES

# Item 9. Authorization or Issuance of Securities Other Than for Exchange

In a meeting held on June 11, 2009, the Board of Directors resolved to increase the authorized capital stock from P310 million to P1.210 billion via declaration of 250% stock dividends and from P1.210 billion to P2.010 billion via rights offering. At the annual meeting held on July 20, 2009, the stockholders present by unanimous vote, approved the increase in the Corporation's authorized capital stock. On May 25, 2012, the application for the increase in the Company's authorized capital stock from P310 million to P1.21 billion was approved by SEC. Accordingly, the Company distributed the 250% stock dividends or 246,248,212 shares on July 19, 2012 for stockholders of record as of June 25, 2012.

#### Item 10. Modification or Exchange of Securities

Acesite (Phils.) Hotel Corporation has no plan to modify any of its authorized and issued securities or to exchange them for another class.

ADDITIONAL REQUIREMENTS AS TO CERTAIN ISSUES OR ISSUERS

As of 31 December 2012, the Company has a net worth of P1.122 billion and is not planning to issue any unsecured bonds for 2013.

#### Property

The principal property of the Company is a 22-storey building known as the Manila Pavilion Hotel located at the corner of United Nations Avenue and Maria Y. Orosa Street in Ermita. Manila. The Hotel has reduced its number of rooms available for sale from 502 rooms to 486 rooms after the completion of the deluxe rooms renovation program. The renovated floors include 16th floor to 21st floor and some rooms were reconfigured as additional suite rooms. Aside from the two category deluxe rooms, executive rooms, premier suites and a new type of exclusive ambassador club rooms have been introduced. The 486 rooms and suites are individually equipped with controlled central air conditioning, private bathroom with bathtub and shower, multi-channel radio, LCD TV sets with cable channels and telecommunications facilities. The hotel had approximately 2,200 sq. m. of meeting, banquet and conference facilities but decided to lease the areas to Pagcor per Contract of Lease dated December 20, 2007. The hotel also houses several restaurants, such as Seasons Café (coffee shop), the Boulvar (bar & lounge) and the Patisseria (bakeshop and deli items). Other guest services and facilities include a chapel, swimming pool, gym, business center and a valet-service basement carpark. Concessionaires and tenants include a spa, alternative medicine clinic, travel agency, and flower shop. In addition, Casino Filipino -Pavilion, owned and operated by PAGCOR, occupies part of the first, second, third, fourth, fifth floors and AHU area occupying a total of 12,696.17 sq. m. of the building.

Prior to November 2011 the Company leased the land on which the Manila Pavilion Hotel stands from CIMA Realty Philippines, Inc. (CIMAR) for an annual rental of P6.1 million. The lease covered a total land area of 6,500 square meters and was valid up to January 2014, renewable for another 25 years up to 2039. The Company had the option to purchase the land from CIMAR any time during the lease at a purchase option price of P25.0 million, and may reassign this option to any qualified third party. In September 2005, CIMAR formally filed a case in court ordering the Company to vacate the premises where the Hotel is situated and ordering the Company to pay the unpaid liabilities and related interest. In October 2005, the Company filed its answer in the court, claiming beneficial ownership over

the land pursuant to an implied trust. In January 2006, the Company filed a case for reconveyance of the land based on the Company's defense in its October 2005 filing. The Company initiated discussions with CIMAR for the possible amicable settlement of this case.

The Company executed MOA with CIMAR to amicably settle all pending cases and controversies between two parties. In consideration, the Company would pay US\$2.5 million dollar in series of term payments. In July 2011, the RTC of Manila issued an order granting the joint motion to dismiss the ejectment case between the Company and CIMAR. Moreover, the finance lease contract between the two parties was superseded on October 31, 2011 by a new long term and non-cancelable operating lease. The Company acquired 100% interest of CIMAR, a former subsidiary of Acesite Limited BVI (ALB). The Company has entered into an operating lease with CIMAR for use of the latter's land following the cancellation of the finance lease between two parties. This non-cancelable operating lease commenced November 1, 2011 and has a term of 20 years with a monthly rate of P250,000.00 and an escalation rate of 5% per annum. Also, the contract provides for two months rent free.

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

The Company has no plans to acquire other properties for 2013.

#### Legal Proceedings

 Acesite (Phils.) Hotel Corporation vs. Liberty Toledo, in her capacity as the City Treasurer of Manila and the City of Manila, Civil Case No. 07-118174; [RTC, Manila Br.]

This is a petition filed on 15 October 2007 before the Regional Trial Court of Manila contesting the local tax assessment made by the City Treasurer on income earned by Manila Pavilion from its contractual relation with PAGCOR for the period 2003-2005 amounting to Forty Five Million Five Hundred Seventy Five Thousand Eleven Pesos and 72/100 [P45,575,011.72]. On 19 January 2011, we received the Decision dated 7 December 2010 dismissing the appeal filed by petitioner Acesite Phils for lack of merit. On 3 February 2011, we filed Motion for Reconsideration of the Decision dated 7 December 2010. On 2 March 2011, we received comment/opposition to the motion for reconsideration filed by defendants counsel. On 9 March 2011, we received order dated 28 February 2011 denying the motion for reconsideration filed by Acesite for lack of merit. On 11 April 2011, Acesite filed a Petition to the Court of Tax Appeals for review assailing the Decision dated 7 December 2010 and Order dated 28 February 2011 rendered by Branch 17, Regional Trial Court of Manila affirming the decision of the City Treasurer of Manila to collect from Acesite business taxes on revenues derived from its contractual relations with PAGCOR. On 18 May 2011, we received copy of the Comment filed by the City of Manila. The parties filed respective memoranda in compliance with the Resolution dated 15 April 2011. The motion for reconsideration was dismissed for lack of merit. Thus, on October 11, 2012 a petition for review seeking to annul the decision was filed. A resolution was received last February 25, 2013 giving due course to the petition and requiring the parties to submit within 30 days the memoranda.

 National Union of Workers in Hotels Restaurants and Allied Industries, Felix Lago, et al., v. Acesite Hotel Corporation, et al., CA-G.R. SP No. 88193, 5th Division

The Holiday Inn Manila Pavilion Hotel Labor Union (HIMPHLU) requested the Hotel to dismiss several employees who were former members of the union on the grounds of disloyalty and failure to maintain membership in good standing pursuant to the union security clause of the line staff CBA. The dismissed employees filed a case for illegal dismissal with the NLRC branch. The Labor Arbiter decided in favor of the complainants and ordered the Hotel to reinstate the complainants and pay solidarily with the union back wages of the dismissed employees. The hotel appealed the decision to the Commission level. On 5 February 2005, the Commission reversed the Labor Arbiter's decision, but ordered the Hotel to pay the complainants financial assistance. On 14 January 2005, National Union of Workers in Hotels Restaurants and Allied Industries (NUWHRAIN) representing the dismissed employees filed a petition for Certiorari with the Court of Appeals which was decided on 10 August 2009 in favor of the dismissed employees.

On 4 January 2009 the Company filed a Petition for Review on Certiorari with the Supreme Court.

On 17 September 2012, the Supreme Court issued a resolution denying the petitions filed by respondents questioning the decision rendered by the Court of Appeals.

On 14 January 2013, the Supreme Court denied respondents' motion for reconsideration dated 15 October 2012 (HIMPHLU) and 17 Oct 2012 (Acesite Phils. Hotel Corp), the Court resolves to deny both motions with finality and no further pleadings or motions shall be entertained in this case.

On 14 March 2013 the Court affirm August 10, 2009 and November 11, 2009 decision in favor of the complainants and the same become final and executory. A copy of the National Labor Relations Commission's computation on the Company's total liability were furnished and the Company has been given time to comment on the said computation.

#### Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

Acesite (Phils.) Hotel Corporation has no plans to merge and consolidate with other company, to acquire other company's securities, to acquire any other going business or of the assets thereof, to sell or transfer any substantial part of its assets and to liquidate or dissolve the Company.

#### Item 13. Acquisition or Disposition of Property

The company has not acquired any property nor disposed of any of its property for the calendar years ended 31 December 2011 and 31 December 2012.

The Company acquired 100% interest of CIMAR, a former subsidiary of Acesite Limited (BVI) or ALB, in October 2011. In July 2011, the Company and CIMAR executed a Memorandum of Agreement (MOA), which effectively settle all pending cases and controversies between

the two parties. In fulfillment of all the terms and conditions of the MOA, CIMAR's stockholders including all their nominees, agreed to assign, sell, transfer and convey all existing shares of stocks of CIMAR to the Company.

#### Item 14. Restatement of Accounts

There is no substantial restatement of any asset, capital or surplus account of the Company. However, the financial statements for the calendar year ending 31 December 2011 and 31 December 2012 have been restated to conform to PFRS reporting.

#### OTHER MATTERS

#### Item 15. Action with Respect to Reports

The following reports, copies of which will be duly furnished to stockholders without charge, will be submitted for stockholders approval at the Annual Meeting of Stockholders on 6 September 2013:

- The Annual Report and Audited Financial Statements for the calendar year ending 31 December 2012;
- b) Minutes of the previous Stockholder's Meeting;
- c) General ratification of corporate acts since the last stockholders' meeting:
  - Designation of certain officers and law office to represent the company in court cases;
  - Renewal of licenses from various government offices and designation of authorized signatories thereto;
  - All others pertaining to administrative matter

The stockholders appointed the law firms of Corporate Counsels, Philippines and Gancayco, Balasbas & Associates on 24 June 2004 as the legal counsels of the Company. Representatives of the said law firms shall be attending the annual meeting of stockholders on 6 September 2013 to respond to appropriate questions and have an opportunity to make a statement if they so desire. Both Law Firms of Corporate Counsels, Philippines and Gancayco, Balasbas & Associates stand for re-appointment on 6 September 2013.

The accounting firm of KPMG Manabat San Agustin & Co. has acted as the External Auditors for calendar year 2012, also stands for re-appointment. There are no disagreements with KPMG Manabat San Agustin & Co. on any matter of accounting and financial disclosure.

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

The increase of capital stock of the Acesite (Phils.) Hotel Corporation from P310,000,000.00 divided into 300,000,000 Common shares with the par value of P1.00 each; 20.000 Preferred shares with the par value of P500.00 each, to P1,210,000,000.00 divided into 1,200,000,000 Common shares with the par value of P1.00 each; 20.000 Preferred shares with the par value of P500.00 each, approved by majority of the Board of Directors on June 11, 2009 and by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock at a meeting held on July 20, 2009 certified to by the Chairman and the Secretary of the stockholder's meeting and a majority of the Board of Directors of the corporation, was approved by the Commission last May 25, 2012 in accordance with the provision of Section 38 of the Corporation Code of the Philippines (Batas Pambansa Blg. 68), approved on May 1, 1980.

On May 25, 2012, the application for the increase in the Company's authorized capital stock from P310 million to P1.21 billion was approved by SEC. Accordingly, the Company distributed the 250% stock dividends or 246,248,212 shares on July 19, 2012 for stockholders of record as of June 25, 2012.

On June 28, 2013 the board has authorized Acesite (Phils) Hotel Corporation to amend its Articles of Incorporation to include in the corporate name the phrase, "Doing business under the name and style of Waterfront Manila Pavilion Hotel" and to adopt and use the business name, "The Manila Pavilion Hotel" and "Waterfront Manila Pavilion Hotel". Approval of the stockholders will be secured at the annual stockholders' meeting on September 6, 2013.

#### Item 18. Other Proposed Action

There are no other proposed actions.

#### Item 19. Voting Procedures

- a) For election of directors, the provision of Section 24 of the Corporation Code of the Philippines shall apply, and thus, candidates receiving the highest number of votes shall be declared elected. For the election of the external auditors and the corporate legal counsel, the nominees receiving the highest number of votes shall be declared as elected. For the reports discussed above, majority affirmative vote of the outstanding capital stock of the corporation is required.
- Unless any stockholder present requests for a written ballot, the voting shall be done orally or by show of hands, which shall be duly counted by the Corporate Secretary.

# SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig on August 6, 2013.

By:

Date: 8 2013.

AR HUR R. PONSARAN Corporate Secretary

#### MANAGEMENT REPORT

#### FINANCIAL AND OTHER INFORMATION

#### Financial Statements

The Company's consolidated financial statements for the years ended December 31, 2012, 2011 and 2010 are incorporated herein by reference.

#### **Business Development**

 Acesite (Phils.) Hotel Corporation is a domestic corporation incorporated on 10 October 1952. The Company has been in the hotel business since 15 March 1968. At that time, the Hilton International Company provided for the management of its hotel property located at the corner of UN Avenue and Maria Y. Orosa Street. The Holiday Inn (Philippines) Inc. took over the management of the hotel on 01 January 1995 and took charge of the operations until 28 February 2003.

On June 24, 2004, Waterfront Philippines Inc. (WPI) established its ownership and majority control over Acesite (Phils.) Hotel Corporation. The Manila Pavilion Hotel is thus now part of the largest Filipino chain of hotel facilities, complementing the Waterfront hotels in Cebu City, Mactan and Davao.

- The Company has not been involved in any bankruptcy, receivership or similar proceeding for the past three years.
- 3. The Company acquired100% interest of CIMAR, a former subsidiary of Acesite Limited (BVI) or ALB, in October 2011. In July 2011, the Company and CIMAR executed a Memorandum of Agreement (MOA), which effectively settled all pending cases and controversies between the two parties. In fulfillment of all the terms and conditions of the MOA, CIMAR's stockholders including all their nominees, agreed to assign, sell, transfer and convey all existing shares of stocks of CIMAR to the Company.

#### Brief Description of the General Nature and Scope of the Registrant's Business

#### Business of Issuer

#### (a) Principal Product or Service

The company operates the Manila Pavilion Hotel, located along United Nations Avenue, Ermita, Manila. Aside from hotel operations, business activities of the company include restaurant operations.

# Revenue Contribution of Operations for 2012

Product/Services	Amount (P)	% Contribution
Food & Beverage (F&B)	133,428,998	24.87%
Rooms	134,071,506	24.99%
Rent	265,725,122	49.53%
Operating Departments	2,940.834	0.55%
Others	336,405	0.06%
TOTAL	536,502,865	100%

# (b) Room Sales to Foreigners [Percentage to Room Revenue]

The Asian market remained strong and vibrant. Arrivals surged, with Japan, Korea and China as the biggest contributors. Bookings from long haul traffic, however, remained marginal. The domestic market share increased and continued to be the most dominant market segment.

Foreign Source	% Contribution	on to Total Room Nights
	2012	2011
Asia	29.29%	29.00%
Middle East	0.64%	1.09%
North America	4.74%	6.13%
South/Central America	0.33%	0.18%
Europe	1.78%	2.07%
Australia	0.97%	1.25%
Africa	0.03%	0.07%
Philippines	62.22%	60.21%
TOTAL	100.00%	100.00%

# (b) Distribution Methods of the Products or Services

# Food and Beverage (F&B)

The hotel has several food and beverage outlets contributing revenue as follows:

Outlets	F&B Revenues (% Contribution)				
	2012	2011			
Seasons	60.91%	59.15%			
Boulvar	5.25%	3.56%			
Patisserie	11.74%	11.57%			
Rotisserie	3.30%	3.34%			
Peony Garden	0.00%	5.89%			
Room Service	5.75%	3.98%			
Mini Bar	0.32%	0.81%			
Casino	12.73%	11.70%			
Total	100%	100%			

#### Rooms

The biggest revenue contribution came from FIT accounts, followed by travel trade accounts. Strong showing came mostly from Japanese, Korean and Chinese individual travelers and groups. The domestic market contributed the bulk of rooms sold. Pick up for Korean and Chinese market has decreased which used to be taking the bigger share of the pie. The availability of the direct airline flight from China to Boracay also contributed to the decrease since they nolonger have to stay in Manila. On the other hand, the shifting of Sales strategy from Travel Accounts to Corporate & FIT Accounts has been adopted to cater market with higher rates to fill up the newly renovated rooms.

Revenue generation from the hotel's marketing promotions and travel trade accounts dipped in 2012 from last year but equally compensated with the higher contribution of corporate and FIT accounts

Market Segment	% Contribution			
	2012	2011		
Marketing Promotions	10.99%	11.97%		
Reservation system	20.08%	19.98%		
Travel Trade Accounts	27.96%	31.76%		
Corporate & FIT Accounts	40.97%	36.29%		
TOTAL	100.00%	100.00%		

# (d) Status of Any Publicly-Announced New Product or Service

As disclosed to SEC and PSE last March 20, 2013, the Manila Pavilion Hotel has completed the renovation program covering six higher category floors of deluxe rooms, executive rooms, Ambassador Club rooms and Presidential suites.

# (e) Top Five (5) Performance Indicators

Occupancy of the hotel decreased from 58.69% for the year ended 31 December 2011 to 49.20% for the year ended 31 December 2012. Average room rate decreased from P1.512.82 in 2011 to P1.477.61 in 2012.

	2012	2011
Occupancy Rate	49.20%	58.69%
Average Room Rate	1,477,61	1,512.82
Revenues	536,502,865	635,871,284
Gross Operating Income	217,479,946	342,785,684
Gross Operating Income Ratio	40.54%	53.91%

# (f) Sources and Availability of Raw Materials

The hotel sources all its raw materials (food, beverages, room cleaning items, bed and bath linen, soaps, office supplies, etc.) from various local suppliers.

# (g) Major Customers

On December 1, 2010, Pagcor and the company amended the lease contract, otherwise known as the Omnibus Amended Lease Contract (OALC) extending the lease term and expanding the lease area. The OALC 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.) or a total lease area of 12,696.17 sq.m. The lease period for the Main area, Expansion Area A and AHU Area commenced upon the signing of the lease agreement until December 16, 2016. The 3rd floor gaming area of Casino Filipino Pavillon has been fully operational since October 29, 2011 and shall terminate on December 30, 2016. The OALC may be renewed at the option of the lessee under such terms and conditions as may be agreed upon by the parties.

PAGCOR contributed 8.79% share in room night's production and 24.04% of the total F&B revenue. The Travel Trade sector, comprising around 150 travel agencies catering to Japanese, Koreans and Chinese tourists, makeup 27.96% of the total room nights for the year. Other corporate companies and FIT accounts accounted for 40.97% of the occupancy. The domestic market contributed a sizeable chunk of the business.

#### (h) Transactions with Related Parties

The Corporation had invested in 86,710,000 shares of Wellex Industries, a related company listed on the Philippine Stock Exchange, at P0.50 per share or a total of P43,355,000.00.

Transactions with WPI during the year amounted to P117.48 million and P110.58 million in 2012 and 2011 respectively. Transactions with WPI also include the allocated share in the common operating expenses. As of December 31, 2012 and 2011, the outstanding balance of receivables from WPI amounted to P572.05 million and P689.53 million respectively.

In February 16, 2009, the Company assigned to Philippine Business Bank its future rental receivables from PAGCOR, arising from the latter's lease commitments to the Company, in payment of the bank loans of related parties, Pacific Rehouse Corporation and Waterfront Mactan Casino Hotel, Inc.

The Company has entered into an operating lease with CIMAR for use of the latter's land following the cancellation of finance lease between the two parties (see Note 23c of the 2012 audited FS). This non-cancellable operating lease commenced on November 1, 2011 and has a term of 20 years with escalation rate of 5% per annum. Also, the contract provides for two months rent free for the period November and December 2011.

# Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions and Royalty Agreements

Not applicable.

# (j) Government Approval of Principal Products or Services

The Company holds a BFAD License to Operate as evidence of full compliance with the requirements of the Bureau of Food and Drugs (BFAD). The Hotel is accredited with the Department of Tourism (DOT) and the application for the reclassification to a higher category upon completion of the renovation project is currently being processed by DOT.

# (k) Effect of Existing or Probably Governmental Regulations on the Business

In management's opinion, there are no other existing or probable governmental regulations that would have significant impact on the business of the firm.

#### (I) Research and Development Activities

Not applicable.

### (m) Compliance with Environmental Laws

The Hotel is compliant with the emission standard set by the Clean Air Act, the Solid Waste Management Act and effluent standard of wastewater. The cost of compliance covers the application for certificates of environmental compliance and the regular monitoring and maintenance of engineering equipment and sewerage treatment plant (STP). Permit fees for garbage collection, sewage cleaning plus Maynilad sewage carriage charges amounted to \$\mathbb{P}\$1.3 million for the year ended 31 December 2012.

### (n) Manpower Count

	Actual Manpower Count As of 31 Dec 2012 31 Dec 201	
Department Head Managerial and Supervisors Line Staff Casual	25 72 171 53	26 80 187 50
Total	321	343

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

Year-to-date training index was 162.34, and most of the hotel employees have undergone training in various skill-building seminars and development workshops.

(o) The hotel business is particularly sensitive to the financial crisis and travel-related risks, such as terrorist alerts, travel advisories, the conflicts in the Middle East, other diplomatic issues with neighboring countries and the perceived political instability of the country. The Company has established a Risk Management Committee that continually identifies, assesses and manages such risks. As a result of such assessment, steps have been taken, in conjunction with the Department of Tourism, to participate in travel trade shows abroad, to send sales and promotions teams to targeted foreign and "balikbayan" markets, in order to allay travel fears, promote the Philippines as a travel destination and neutralize negative perceptions.

#### MANAGEMENT'S DISCUSSION AND ANALYSIS

The top five (5) key performance indicators, as discussed herein, are presented on comparable basis and compared with figures attained from prior years operation, and are more fully explained as follows: 1) Occupancy rate is the number of hotel room-nights sold for the period divided by the number of room nights available for the period; 2) Average room rate is the room revenue for the period divided by the number of hotel room-nights sold for the period; 3) Revenues are broken down on a departmental basis; 4) Gross operating profit margin is computed as a percentage of revenues; and 5) Total Fixed, Financial and Other Charges are presented in the comparative

# Year Ended 31 December 2012 to Year Ended 31 December 2011

The year ended 31 December 2012 showed a 15.63% decrease in revenues, from P635.9 million in 2011 to P536.5 million this year. P265.7 million came from rental income (49.53%), P134.1 million came from room revenue (24.99%), and P133.4 million from food & beverage revenues (24.87%). The hotel registered an occupancy rate of 58.69% in 2011, as compared to the 49.20% in 2012. The average room rate of P1,477.61 achieved in 2012 is lower by 2.33% as compared to the P1,512.82 in 2011. The decrease in room revenue was mainly due to the decrease in room inventory because of the closure of five floors for room renovation. In effect, food and beverage in-house covers also decreased resulting to a fall in food and beverage revenue. The year-end adjustment to effect the straight-line recognition of rental income as required by Philippine Accounting Standards (PAS) No. 17, resulted to the decrease in rental revenue from P56 million in 2011 to only P10.8 million in 2012.

The coffee shop, Seasons, brought in 60.91% of the total food & beverage business, followed by sales at Casino Filipino contributing 12.73%, Patisserie accounting for 11.74% and Room Service, Boulvar, Rotisserie, Mini Bar, collectively, with 14.62%.

Cost of sales and services for the year ended 31 December 2012 amounted to P319 million, or 59.46% of the total gross revenue, compared with P293.1 million or 46.09% for the year ended 31 December 2011. Gross profit amounted P217.5 million or 40.54% for 2012. Last year's gross profit was P342.78 million or 53.91%. Employee benefits account decreased from P129.2 million in 2011 to P126.6 million in 2012 mainly due to a reduction in number of regular employees from 293 last 2011 to only 268 in 2012. Number of casual employees was cut down to the minimum as volume of business had dropped.

Fixed, financial and other expenses in 2012 amounted to P120.7 million as compared to P377.3 million registered in 2011. The general and administrative expenses amounted to P68.9 million for 2012 substantially lower than the P311.2 million in 2011 due to the prior

year adjustment for the consideration transferred in acquiring CIMAR particularly the valuation of receivables. The re-measurement of the valuation of receivables resulted to the recognition of additional impairment loss of the receivables from ALB amounting to P143 million. Financing costs increased to P21.84 million in 2012 from P20.97 million in 2011. Aside from interest payments made for the ICBC loan, interest payment of P1.1 million was made for the CIMAR settlement. Corporate expenses increased from P20.94 million in 2011 to P30.8 million in 2012. Foreign exchange gain incurred in 2012 amounted to P21.79 million as the local currency appreciated in relation to the US dollar compared to a minimal loss of P1.4 thousand recorded in 2011.

For 2012, the Company achieved a net income of P35.1 million or P0.10 per share, recovering from the P99.5 million net loss in 2011 or a loss of P0.29 per share.

Total assets of the company decreased from P2.6 billion as of the end of 2011 to P2.5 billion as of the end of 2012. Current assets decreased from P773.98 last year million to P629.94 million this year due to the decrease in cash, trade and other current receivables, inventories and related party receivables while prepayments and other current assets increased from P4.35 million to P14.21 million, due to huge input VAT on purchases for renovation project supplies and services. On the other hand, non-current assets increased by 4.37% from P1.83 billion to P1.91 billion due to the increase in construction in progress account for the room renovation which consequently increase the trade and other current payables from P188.86 million in 2011 to P213.72 million in 2012. Current liabilities decreased from P644.95 million to P531.54 million due to the full payment of the price settlement for the acquisition of 100% interest in CIMAR. Long term liabilities increased to P891.4 million from P879.8 million due to the increase on the provision for retirement benefit of employees. Negotiation between the Company and ICBC for the restructuring of the loan is still ongoing. Stockholders' equity increased from P1.084 billion to P1.122 billion over the same comparative periods.

# Year Ended 31 December 2011 to Year Ended 31 December 2010

The year ended 31 December 2011 showed a 4.26% increase in revenues, from P609.9 million in 2010 to P635.9 million this year. P310.7 million came from rental income (48.86%), P162.8 million came room revenue (25.61%), and P159.2 million from food & beverage revenues (25.03%). The hotel registered an occupancy rate of 61.60% in 2010, as compared to the 58.69% in 2011. The average room rate of P1,512 achieved in 2011 is lower by 11.06% as compared to the P1,700 in 2010.

The coffee shop, Seasons, brought in 48.90% of the total food & beverage business, followed by sales at Casino Filipino and Banquet contributing 13.65% and 9.69% respectively. Peony Garden contributed 7.08% this year compared with 8.71% last year.

Cost of sales and services for the year ended 31 December 2011 amounted to P293.1 million, or 46.09% of the total gross revenue, compared with P421.7 million or 69.14% for the year ended 31 December 2010. Gross profit amounted P342.78 million or 53.91% for 2011. Last year's gross profit was P188.22 million or 30.86%. Employee benefits account decreased from P206.6 million in 2010 to P129.2 million in 2011 mainly due to the decrease of regular employees from 423 last 2010 to only 293 in 2011. Number of casual employees was cut down to the minimum as volume of business had dropped.

Fixed, financial and other expenses in 2011 amounted to P377.3 million as compared to P158.4 million registered in 2010. The substantial increase was due to recognition of loss on

the settlement of accruals in prior years. General and administrative expenses increased from P130.3 million in 2011 to P311.2 million in 2012 mainly from the increase in impairment loss as a result from the reversal of goodwill in the acquisition of CIMA Realty Phils., Inc. Financing costs amounted to P20.97 million in 2011 compared to income of P27.88 million in 2010 due to the accretion income on the security deposit of PAGCOR carried at present value. Corporate expenses decreased from P47.63 million in 2010 to P20.94 million in 2011. Foreign exchange loss incurred in 2011 amounted only to P1.4 thousand as the local currency sustained its strength in relation to the US dollar vs a gain of P27.30 million recorded in 2010.

For 2011, the Company achieved a net loss of P99.5 million or negative P0.29 per share, while in 2010 a net loss of P8.65 million or a loss of P0.02 per share was incurred.

Total assets of the company increased from P2.52 billion as of the end of 2010 to P2.61 billion as of the end of 2011. Current assets increased from P684.91 million to P773.98 million over the same periods, due to the increase in amounts owed by related parties, while non-current assets slightly decreased from P1.84 billion to P1.83 billion. Current liabilities decreased from P658.0 million in 2010 to P644.95 million in 2011 due to the decrease in income tax payable. Long term liabilities also increased to P879.8 million from P699.1 million over the same period due to the increase in net deferred tax liabilities. Negotiation between the Company and ICBC for the restructuring of the loan is still ongoing. Stockholders' equity decreased from P1.166 billion to P1.083 billion over the same comparative periods.

- The Company is involved in a number of minor legal cases (labor and civil). However, adverse judgments on these will not affect the short-term liquidity of the Company. For such contingencies, management has provided adequate reserves. Aside from this, the management is not aware of trends and events that would have a material impact on the company's liquidity.
- Aside from the above-mentioned items, the company does not know of other material events that will trigger direct or material contingent financial obligation to the company.
- There are no off-balance sheet transactions, arrangements, obligations and other relationships of the company with unconsolidated or other persons created during the reporting period.
- iv. A foreign exchange gain in the amount of P21.8 million has been booked for the year ended 31 December 2012. These are related to the Company's foreign currency denominated loan from the ICBC.
- v. Causes of material changes in the items in the financial statements from the year ending 31 December 2010 to the year ending 31 December 2011 and from the year ending 31 December 2011 to the year ending 31 December 2012 have been discussed under management discussion and analysis. The following comparisons are supplementary to the management discussion and analysis and are presented for discussion purposes only.
  - Revenues from lease activities (Revenues Rent): Rental revenues for the year 2011 amounted to P310.7 million as compared to the rental revenues for the year 2012 which amounted to P265.7 million. The decrease in rental income is due to the adjustment resulting from the straight-line recognition of income as required by

Philippine Accounting Standards (PAS) No. 17 from P56 million in 2011 to only P10.8 million in 2012. During 2010, there was an amendment in the lease contract with PAGCOR, which resulted to the change in the annual rental income to be recognized on a straight-line basis.

- Property Operations and Maintenance: POMEC expenses for the year 2011 amounted to P24.2 million as compared to expense for 2012 which amounted to P74.9 million. The material increase was contributed by the year end adjustment on the provision for retirement benefit of engineering employees, increase in repairs and maintenance for building, wall & covering and furniture and fixtures.
- Energy Cost: Energy costs for the year 2011 amounted to P56.6 million as compared to the energy costs for the year 2012 which amounted to P61.7 million. Energy Cost for the year has increased due to the increase in electricity rate from P6.17 per kilowatt hour in 2011 to P7.81 per kilowatt hour in 2012 and the cost per cubic meter for water has also increased from P42.29 per cubic meter last year to P65.24 per cubic meter this year.
- General and Administrative: G&A expenses for the year 2011 amounted to P311.2 million as compared to the G&A expenses for the year 2012 which amounted to P71.7 million. The substantial decrease was due to the prior year adjustment on the re-measurement of goodwill resulting to the additional recognition of impairment loss amounting to P143 million in 2011 relating to the 100% acquisition of CIMAR.
- Personnel: Personnel costs for the year ended 31 December 2011 amounted to P129.2 million as compared to the personnel costs for the year ended 31 December 2012 in the amount of P126.6 million. The lower cost is attributed to the savings in salaries and wages and other employee benefits achieved in connection with the redundancy program effected in December 2010 and the reduction in the number of regular employees in 2011 and 2012.
- Advertising and Business Promotion: Advertising costs for the year ended 31
  December 2011 amounted to P7.5 million as compared to the advertising costs for
  the year ended 31 December 2012 which amounted to P4.5 million.
- Trade and Other Payables: Trade and other payables as of 31 December 2011 amounted to P188.9 million as compared to that as of 31 December 2012 which amounted to P213.7 million.
- Loan Payable: This pertains to the balance of the ICBC loan worth US\$15 million.
   Loan Payable was recorded at P367.1 million last 31 December 2011 while on 31
   December 2012 it decreased to P314.1 million due to the principal payments totaling to US\$749,980 thousand or P31,310,150.00.
- Capital Stock: Capital stock as of 31 December 2011 amounted to P99.9 million as compared to P346.1 million in 31 December 2012 due to the 250% stock dividends distributed last July 19, 2012.
  - vi. The company does not know of any seasonal aspects that had a material effect on the financial condition or results of operations.

# Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Accounting Firm of KPMG Manabat, Sanagustin & Co. is the elected External Auditor for Acesite (Phils.) Hotel Corporation. In compliance with SEC Memorandum Circular No. 8, Series of 2003, the financial statements for the year ended 31 December 2011 were audited by the accounting firm of KPMG, Manabat, Sanagustin & Co., while prior years financial statements for the years ended 31 December 2005, 31 December 2006 and 31 December 2007, were audited by the accounting firm of SGV and Company. The financial statements for 31 December 2008, 31 December 2009 and 31 December 2010, were audited by the accounting firm of KPMG Manabat, Sanagustin & Co. For the year ended 31 December 2008, for the year ended 31 December 2010, there have been no disagreements with the independent accountants.

# PART III (B)

- (a) Full Fiscal years
  - (ii) There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
  - (iii) There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
- (b) Interim Periods:

Discussion and analysis of the operating result of the first quarter of 2013 is more particularly discussed on the attached SEC Form 17Q.

# MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

 The Company is listed on the Philippine Stock Exchange. The following are the trading prices (in Philippine Peso):

4	201	3	201	2	201	1	201	0
	High	Low	High	Low	High	Low	High	Low
1 <sup>st</sup> Quarter	1.48	1.20	4.17	0.83	3.20	1.98	3.50	2.70
2 <sup>rid</sup> Quarter	1.34	1.01	6.07	1.74	2.65	1.82	3.00	2.00
3 <sup>rd</sup> Quarter	2000000		4.20	1.05	4.77	1.60	4.40	2.00
4 <sup>th</sup> Quarter	N.		1.44	1.18	3.49	1.75	3.50	2 14

The last trading price was ₽1.24 on 3 July 2013.

#### 2 Holders

The Company had 196 registered stockholders as of 31 July 2013. The top 20 stockholders are as follows:

Top 20 Stockholder as of 31 July 2013	No. of Shares	% Holdings
WATERFRONT PHILS. INC.	192,045,057	55.49%
PCD NOMINEE CORPORATION	130,029,093	37.57%
NICKELL INTERNATIONAL LTD.	9,248,218	2.67%
SANCHEZ, MODESTO A.	1,588,580	0.46%
G.E. ANTONINO, INC.	1,429,708	0.41%
ACESITE (PHILIPPINES) HOTEL CORP	1,353,000	0.39%
FLOIRENDO, ANTONIO	873,722	0.25%
TANSECO, GENEROSO	714,857	0.21%
UNITED PHILIPPINE LINES	714,854	0.21%
TAN, JESUS M.	595,728	0.17%
BAUTISTA, DOMINGO C.	476,574	0.14%
MARINDUQUE MINING & INDUSTRIAL CORP	278,001	0.08%
WELLS AND PUMPS INC.	278,001	0.08%
MENZI, HANS (ESTATE OF)	278,001	0.08%
ROSARIO, FRANCISCO DEL	258,146	0.07%
CARLOS, GLORIA S.	218,428	0.06%
DELGADO, FRANCISCO C.	198,702	0.06%
SANCHEZ, ANDREW A.	198,579	0.06%
TULIO, ERMINDA L.	198,576	0.06%
ANUP TRADING	198,576	0.06%
WESTERN STEEL INC.	198,576	0.06%
COJUANGCO, RAMON	198,576	0.06%
LORENZO, LUISA DE R.	198,576	0.06%
PAILIAN, PETER GO	158,858	0.05%
BALUYUT, SISENANDO	148,928	0.04%
REYES, ALEX	139,002	0.049
ARANETA, SALVADOR	139,002	0.049
RAZON, ENRIQUE JR.	139,002	0.049

#### 3. Dividends

The Board of Directors on its special meeting held on August 1, 2008 approved the declaration of three hundred percent stock dividends or three (3) common shares per one (1) outstanding common share, and subsequently approved by the stockholders in a special meeting held on September 26, 2008. However upon consultation with the Securities and Exchange Commission and the need to comply with the new SEC guidelines on the declaration of dividends, the stockholders, acting on the recommendation of the management during the annual stockholders meeting held on July 20, 2009 ratified and approved amendments to the resolution previously approved during a special stockholders meeting held on September 26, 2008, thus approving a 250% stock dividend instead of a 300% stock dividend.

On May 25, 2012, the application for the increase in the Company's authorized capital stock from P310 million to P1.21 billion was approved by SEC. Accordingly, the Company distributed the 250% stock dividends or 246,248,212 shares on July 19, 2012 for stockholders of record as of June 25, 2012.

# 4. Recent Sales of Unregistered Securities

Not applicable.

#### PART V. CORPORATE GOVERNANCE

- a. The Company has in place a continuing evaluation program on the level of compliance of the Board of Directors and top-level management with its manual of Corporate Governance. The Compliance Officer identifies, monitors and, together with the Corporation's Legal Counsel, controls compliance risk. On a continuing basis, findings thereof are immediately reported to the Chairman of the Board for appropriate action.
- b. Several measures are practiced by the Corporation to fully comply with its Manual of Corporate Governance. The Corporation has adopted Anti-Money Laundering Guidelines, a Code of Business Ethics and a Policy Manual for Business Conduct which all employees, officers and directors are expected to follow. Upon assumption of office, directors take note of and signify their assent to their individual responsibilities under the Company's Manual of Corporate Governance. Committees are formed on the basis of each director's area of expertise. The Board considers the need for the appointment of, and may subsequently commission, independent experts to examine, validate and/or audit any matter coming to its attention. Furthermore, the accounting system and the preparation of financial statements are made compliant with Statements of International Accounting Standards (SFAS)/International Accounting Standards (IAS) in the manner specified by law. Results of the annual audit and the report of the external auditors are reviewed by the Audit Committee before final approval by the Board of Directors.
- For the year ended 31 December 2012, there have been no deviations from the Company's Manual of Corporate Governance.
- d. The Company has in place a policy on the continuing development and improvement of the Manual of Corporate Governance. Board members and senior executives are encouraged to propose amendments that may be beneficial. The Board reviews such proposals and may implement amendments that, upon discussion and consideration, are finally deemed beneficial.

UPON WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY WILL PROVIDE WITHOUT CHARGE, A COPY OF THE COMPANY'S ANNUAL REPORT IN SEC FORM 17-A DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE STOCKHOLDER MAY BE CHARGED A REASONABLE COST FOR PHOTOCOPYING THE EXHIBITS.

#### ALL REQUESTS MAY BE SENT TO THE FOLLOWING:

THE CORPORATE SECRETARY
7th Floor, Manila Pavilion Hotel
United Nations Avenue corner M. Orosa Street
Ermita, Manila

# ADDITIONAL REQUIREMENT (SRC Rule 68)

A schedule showing financial soundness indicators in two comparative period:

# CURRENT / LIQUIDITY RATIO

Current Ratio	December 31, 2012	December 31, 2011
Current Assets	629,941,949	773,984,472
Current Liabilities	531,540,175	644,954,473
Ratio	1.1851	1.2001

Quick Ratio	December 31, 2012	December 31, 2011
Cash+AR+ST Mkt Securities	36,835,604	65,413,059
Current Liabilities	531,540,175	644,954,473
Ratio	0.0693	0.1014

Cash Ratio	December 31, 2012	December 31, 2011
Cash+ST Mkt Securities	6,824,371	28,257,128
Current Liabilities	531,540,175	644,954,473
Ratio	0.0128	0.0438

# SOLVENCY RATIO

Current Liabilities to Equity Ratio	December 31, 2012	December 31, 2011
Current Liabilities	531,540,175	644,954,473
Total Equity	1,121,698,119	1,083,524,431
Ratio	0.4739	0.6952

Total Liabilities to Equity Ratio	December 31, 2012	December 31, 2011
Total Liabilities	1,422,905,469	1,524,788,947
Total Equity	1,121,698,119	1,083,524,431
Ratio	1.2685	1.4072

Fixed Assets to Equity Ratio	December 31, 2012	December 31, 2011
Fixed Assets	1,789,594,851	1,696,947,452
Total Equity	1,121,698,119	1,083,524,431
Ratio	1.5954	1.5661

Assets to Equity Ratio	December 31, 2012	December 31, 2011
Total Assets	2,544,603,588	2,608,313,378
Total Equity	1,121,698,119	1,083,524,431
Ratio	2.2685	2.4072

# INTEREST COVERAGE RATIO

Interest Coverage Ratio	December 31, 2012	December 31, 2011
Net Income Before Tax + Interest Exp	64,332,683	(67,564,216)
Interest Expense	13,979,115	13,395,680
Ratio	4.6021	(5.0437)

# PROFITABILITY RATIO

Interest Coverage Ratio	December 31, 2012	December 31, 2011
Net Income After Tax	35,138,838	(99,468,912)
Net Sales	536,502,865	635,871,284
Ratio	0.0555	(0.1564)

Return on Assets (ROA) Ratio	December 31, 2012	December 31, 2011
Net Income After Tax	35,138,838	(99,468,912)
Total Assets	2,544,603,588	2,608,313,378
Ratio	0.0138	(0.0381)

Return on Equity Ratio	December 31, 2012	December 31, 2011
Net income After Tax	35,138,838	(99,468,912)
Total Equity	1,121,698,119	1,083,524,431
Ratio	0.0313	(0.0918)

#### CERTIFICATION OF INDEPENDENT DIRECTORS

- I, ARTHUR M. LOPEZ, Filipino, of legal age, and a resident of The Ritz Tower Condominium, 6745 Ayala Avenue, Makati City, after having been duly sworn to in accordance with law do hereby declare that:
  - 1. I am an independent director of Acesite (Phils.) Hotel Corporation.
  - 2. I am affiliated with the following companies or organizations:

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

- 3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Acesite (Phils.) Hotel Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
- I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code.
- I shall inform the corporate secretary of Acesite (Phils.) Hotel Corporation of 5. any changes in the abovementioned information within five days from its occurrence. CITYAL

Done this day or at	Done this day of	'JUL 7 9 2013 at	OF MANIL A
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SUBSCRIBED AND SWORN to before me this JUL day 2013 Tax Certificate No. 07020338 issued at Makati City, Metro Canila on January 24, 2012.

Doc. No. Page No. Book No. Series of 2012 UBLIC TIN NO. 231439744500 12-12-12 Unit 12-12-13 FOLL No. (988) 13-31-2-13 Comm. No. 2012-018 MANNELS

#### CERTIFICATION OF INDEPENDENT DIRECTORS

I, VICENTE C. ATILANO, Filipino, of legal age, and a resident of Valle Verde 3, Pasig City, after having been duly sworn to in accordance with law do hereby declare that:

- 1. I am an independent director of Acesite (Philis.) Hotel Corporation.
- 2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Kohl Industries Corporation	Chairman & President	2002 - present
Sanosil Phils.	Chairman & President	2008 - present

- I possess all the qualifications and none of the disqualifications to serve as an 3. Independent Director of Acesite (Phils.) Hotel Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
- I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.
- I shall inform the corporate secretary of Acesite (Phils.) Hotel Corporation of 5. any changes in the abovementioned information within five days from its occurrence.

Done this	day of	JUL	2 9 2013 a	GITY OF	MAND .	
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Tax Certificate No.	R AND SWORI flant personally 11168399 ssue	appeared	before in	and exhibited	to me his Co	at ommunity
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Page No. Book No. Series of 2012.

#### CERTIFICATION OF INDEPENDENT DIRECTORS

I, SERGIO ORTIZ-LUIS JR, Filipino, of legal age, and a resident of 151 corner 3rd St., and 10th Ave., Riverside Village, Pasig, after having been duly swom to in accordance with law do hereby declare that:

- 1. I am an independent director of Acesite (Phils.) Hotel Corporation.
- 2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service	
Waterfront Phils., Inc.	Independent Director	2009-present	
Acesite (Phils.) Hotel Corporation	Independent Director	2013	
Alliance Global	Director /Vice President	2007-present	
Philex Mining	Director	2009-2010	
Phil. Chamber of Commerce & Industry	Honorary Chairman/Treasurer	1995 - present	
PHILEXPORT	President/CEO	1991-present	
ECOP	Honorary President	2008 - present	

- 3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Waterfront Philippines, Inc, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
- I shall faithfully and diligently comply with my duties and responsibilities as 4. Independent Director under the Securities Regulation Code.
- 5. I shall inform the corporate secretary of Waterfront Philippines, Inc. of any changes in the abovementioned information within five days from its occurrence.

	day UL 2 9 2013	GIIY	UF MANIL A
Done this	dayof	at	The Name of the State of the St

CIT SUBSCHMENT DAWORN to before me this day of affiant personally appeared before me and exhibited to me his Community Tax Certificate No. 08148636 issued at Manile Offy, Metro Manila on January 15, 2013.

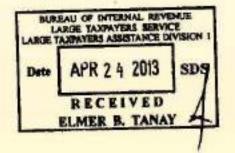
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Series of 2013.

#### ACESITE (PHILS.) HOTEL CORPORATION (A Subsidiary of Waterfront Philippines, Incorporated) (Owner and Operator of Manila Pavilion Hotel)

SEPARATE FINANCIAL STATEMENTS December 31, 2012, 2011 and 2010



## ACESITE (PHILIPPINES) THOTEL CORPORATION

#### STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Acesite (Phils.) Hotel Corporation (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements for the year ended December 31, 2012, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders or members.

Manabat Sanagustin & Co., CPAs, the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

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## ACESITE (PHILIPPINES) HOTEL CORPORATION

#### "STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN"

The Management of Acesite (Phils.) Hotel Corporation is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2012. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2012 and the accompanying Annual Income Tax Return are in accordance with the books and records of Acesite (Phils.) Hotel Corporation, complete and correct in all material respects. Management likewise affirms that:

- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to the Philippine Financial Reporting Standards and the preparation of the indome tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) Acesite (Phils.) Hotel Corporation has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

ARTHUR M. LOPEZ

KENNETH T. GATCHALIAN

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resident & CEO

ELVIRA TING

Treasurer & CEQ

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ELMER B. TANAY



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

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

Branches: Bacciod - Cebu - Hollo - Subic

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

The Board of Directors and Stockholders Acesite (Phils.) Hotel Corporation Room 610, Manila Pavilion Hotel United Nations Avenue Ermita, Manila

We have audited the accompanying separate financial statements of Acesite (Phils.) Hotel Corporation (a subsidiary of Waterfront Philippines, Incorporated and owner and operator of Manila Pavilion Hotel) as at and for the year ended December 31, 2012, on which we have rendered our report dated April 12, 2013.

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

MANABAT SANAGUSTIN & CO., CPAs

TOMAS O. MAHINAY

Partner

CPA License No. 0024593

SEC Accreditation No. 1035-A, Group A, valid until September 29, 2013

Tax Identification No. 121-597-818

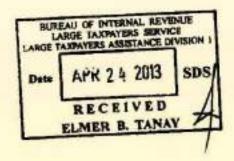
BIR Accreditation No. 08-001987-21-2010

Issued June 30, 2010; valid until June 29, 2013

PTR No. 3669516MC

Issued January 2, 2013 at Makati City

April 12, 2013 Makati City, Metro Manila





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#### REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders Acesite (Phils.) Hotel Corporation Room 610, Manila Pavilion Hotel United Nations Avenue Ermita, Manila

#### Report on the Financial Statements

We have audited the accompanying separate financial statements of Acesite (Phils.) Hotel Corporation (a subsidiary of Waterfront Philippines, Incorporated and owner and operator of Manila Pavilion Hotel), which comprise the separate statements of financial position as at December 31, 2012 and 2011, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for each of the three years in the period ended December 31, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

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

Auditors' Responsibility

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

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

RECEIVED ELMER B. TANAY

We believe that the audit evidence we law basis for our audit opinion. Date

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LARGE TAXMAYERS ASSETANCE DATSHOW I
of the large updating its sufficient and appropriate to provide a

Date APR 2 4 2013 | Cross

Menager Sanapusto & Co., CPAs, a Philippine personnel of a member from of the KPMG restricts of notoperated member from efficient with KPMG international Concessive (KRMG international), a Switzs entity.

PRC-BDA Registration No. 0003, Group A, wild until December 31, 2013 500 Acceptation No. 0004FR3, Group A, virial shall Primerate: 23, 2014 IS Acceptation No. Fold-R, Group A, wide until September 11, 2014 85P Acceptation, Group A, visit until December 17, 2014

#### Opinion

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

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

Our audits were conducted for the purpose of forming an opinion on the separate financial statements taken as a whole. The supplementary information in Note 25 to the separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the separate financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits of the separate financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the separate financial statements taken as a whole.

MANABAT SANAGUSTIN & CO., CPAs

TOMAS-6. MAHINAY

Partner

CPA License No. 0024593

SEC Accreditation No. 1035-A, Group A, valid until September 29, 2013

Tax Identification No. 121-597-818

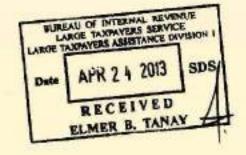
BIR Accreditation No. 08-001987-21-2010

Issued June 30, 2010; valid until June 29, 2013

PTR No. 3669516MC

Issued January 2, 2013 at Makati City

April 12, 2013 Makati City, Metro Manila



# ACESITE (PHILS.) HOTEL CORPORATION (A Subsidiary of Waterfront Philippines, Incorporated) (Owner and Operator of Manila Pavilion Hotel)

#### SEPARATE STATEMENTS OF FINANCIAL POSITION

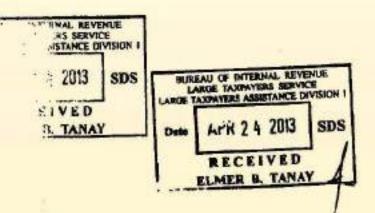
ACCOUNT OF THE PARTY OF THE PAR		D	December 31	
	Note	2012	2011 (As Restated - Note 9	
ASSETS	3.1	-3.03/10		
Current Assets				
Cash	21	P6,824,371	P28,257,128	
Trade and other current receivables - net	5	30,011,233	37,155,931	
Inventories	6	6,845,798	14,686,078	
Due from a related party - net	11a	572,051,985	689,532,788	
Prepayments and other current assets		14,074,633	4,352,547	
Total Current Assets		629,808,020	773,984,472	
Noncurrent Assets				
Property and equipment - net	8, 12	1,139,594,851	1,046,947,452	
Investment in a subsidiary	9	459,762,500	459,762,500	
Available-for-sale (AFS) investment	116	26,013,000	22,978,150	
Other noncurrent assets	23	98,741,289	114,090,804	
Other noncurrent assets Total Noncurrent Assets		1,724,111,640	1,643,778,906	
		P2,353,919,660	P2,417,763,378	
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other current payables	10	P216,138,644	P189,331,475	
Loan payable	12	314,128,747	367,098,607	
Due to subsidiary	11	698,919	-	
Contract payable	9		86,260,000	
Income tax payable		3,340,108	2,730,511	
Total Current Liabilities		534,306,418	645,420,593	
Noncurrent Liabilities				
Rentals received in advance	23a	331,221,548	331,221,548	
Concessionaires and deposits	23a	97,554,706	90,470,839	
Retirement liability	18	143,930,110	134,057,525	
Deferred tax liabilities - net	19	127,732,277	133,639,726	
Total Noncurrent Liabilities		700,438,641	689,389,638	
Total Liabilities	2.27	1,234,745,059	1,334,810,231	

Forward



		De	cember 31
	Note	2012	2011 (As Restated - Note 9)
Equity	13		
Capital stock		P346,100,520	P99,852,308
Revaluation surplus in property and			
equipment - net	8	643,799,692	676,323,386
Unrealized valuation gain (loss) on AFS			
investment	116	13,762,530	10,727,680
Retained earnings		127,553,559	308,091,473
Treasury stock at cost		(12,041,700)	(12,041,700)
Total Equity	P346,100,520 perty and  8 643,799,692 (loss) on AFS  11b 13,762,530 127,553,559 (12,041,700) 1,119,174,601	1,082,953,147	
		P2,353,919,660	P2,417,763,378

See Notes to the Separate financial statements.

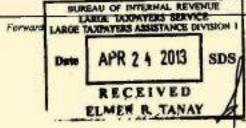


(A Subsidiary of Waterfront Philippines, Incorporated)

(Owner and Operator of Manila Pavilion Hotel)

#### SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

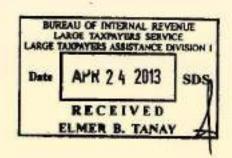
			2011 (As Restated -	
	Note	2012	Note 9)	2010
REVENUES				
Rental	11, 23a	P265,725,122	P310,675,605	P241,317,941
Rooms	meterne.	134,071,506	162,823,508	191,995,455
Food and beverage		133,428,998	159,154,862	171,751,463
Telephone		668,816	1,057,105	1,231,916
Transportation		1,118,150	904,801	1,028,485
Guest laundry and valet		866,234	757,213	1,075,863
Executive business center		287,634	380,441	454,017
Others		336,405	117,749	1,023,825
		536,502,865	635,871,284	609,878,965
COSTS OF SALES AND				
SERVICES	6, 17			
Food and beverage		108,302,426	139,168,255	193,425,432
Property operations and		0.0000000000000000000000000000000000000	955.0860978450	100000000000000000000000000000000000000
maintenance		74,912,921	24,190,546	36,482,416
Energy cost		61,682,003	56,626,688	106,272,930
Rooms		45,289,349	49,041,593	52,951,300
Depreciation on cost	8	17,258,842	12,477,890	21,519,928
Telephone		6,944,606	6,318,957	3,774,440
Transportation		1,200,879	1,459,280	1,865,362
Executive business center		508,059	567,228	548,130
Guest laundry and valet		315,982	25,689	386,918
Miscellaneous - net		2,607,852	3,209,474	4,430,455
		319,022,919	293,085,600	421,657,311
GROSS PROFIT		217,479,946	342,785,684	188,221,654
FIXED, FINANCIAL AND OTHER EXPENSES (INCOME) General and administrative	918			1.1)+1
expenses	14, 17	71,682,857	312,023,666	130,347,299
Corporate expenses	15, 17	30,802,437	20,935,104	47,634,744
Real estate taxes		11,543,804	11,543,804	11,543,793
Fire insurance		4,842,384	5,116,960	4,381,620
Advertising and business				100000000000000000000000000000000000000
promotion		4,530,252	7,503,349	19,715,759
Financing costs (income) - net	16, 23	21,842,143	20,974,986	(27,880,33)
Foreign exchange losses (gains) - net		(21,791,013)	1,411	(27,302,92
( paraller) treet	Carried St. Communication of the Communication of t	1-1-2		



Years Ended	December 31
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			Tears Ended December 31		
	Note	2012	2011 (As Restated - Note 9)	2010	
INCOME (LOSS) BEFORE DEPRECIATION ON REVALUATION INCREMENT AND INCOME TAX		P94,027,082	(P35,313,596)	P29,781,699	
DEPRECIATION ON REVALUATION INCREMENT	8	46,462,420	46,462,420	46,462,420	
INCOME (LOSS) BEFORE INCOME TAX		47,564,662	(81,776,016)	(16,680,721)	
INCOME TAX EXPENSE (BENEFIT)	19	14,378,058	18,264,180	(8,028,823)	
NET INCOME (LOSS)		33,186,604	(100,040,196)	(8,651,898)	
OTHER COMPREHENSIVE INCOME (LOSS) Unrealized loss on AFS investment recognized for the year	116	3,034,850	16,821,740	(2,514,590)	
TOTAL COMPREHENSIVE INCOME (LOSS)		P36,221,454	(P83,218,456)	(P11,166,488)	
EARNINGS (LOSS) PER SHARE - BASIC AND DILUTED	20	P0.10	(P0.29)	(P0.03)	

See Notes to the Separate Financial Statements.



(A Subsidiary of Waterfront Philippines, Incorporated)
(Owner and Operator of Manila Pavilion Hotel)
SEPARATE STATEMENTS OF CHANGES IN EQUITY

				For the	Year Ended Dec	ember 31, 2012
	Capital Stock (Note 13a)	Revaluation Surplus in Property and Equipment - Net (Note 8)	Unrealized Valuation Gain (Loss) on AFS Investment (Note 11b)	Retained Earnings	Treasury Stock (Note 13a)	Total
Balance at January 1, 2012 As previously reported Effect of re-measurement of goodwill	P99,852,308	P676,323,386	P10,727,680	P450,910,623 (142,819,150)	(P12,041,700)	P1,225,772,297 (142,819,150
As restated	99,852,308	676,323,386	10,727,688	308,091,473	(12,041,706)	1,082,953,147
Total comprehensive income for the year Net income for the year			-	33,186,604		33,186,604
Other comprehensive income: Transfer of revaluation surplus absorbed through depreciation for the year - net of income tax effect Unrealized gain on AFS investment recognized for the year		(32,523,694)	3,034,850	32,523,694		3,034,850
roughteen to the year		(32,523,694)	3,034,850	32,523,694		3,034,850
		(32,523,694)	3,034,850	65,710,298		36,221,454
Issuances due to stock dividends	246,248,212	•		(246,248,212)		•
Balance at December 31, 2012	P346,100,520	P643,799,692	P13,762,530	P127,553,559	(PIZ. WASHING	ASSISTANCE DIVISION
See Notes to the Separate financial statements.	<del></del>		3433		REC	2 4 2013 SDS

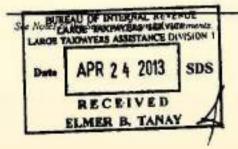
(A Subsidiary of Waterfront Philippines, Incorporated)

(Owner and Operator of Manila Pavilion Hotel)

#### SEPARATE STATEMENTS OF CHANGES IN EQUITY

For the Year Ended December 31, 2011 (As Restated - Note 9)

	Capital Stock (Note 13a)	Revaluation Surplus in Property and Equipment - Net (Note 8)	Unrealized Valuation Gain (Loss) on AFS Investment (Note 11b)	Retained Earnings	Treasury Stock (Note 13a)	Total
Balance at January 1, 2011	P99,852,308	P708,847,080	(P6,094,060)	P375,607,975	(P12,041,700)	P1,166,171,603
Total comprehensive income for the year Net loss for the year	*	4		(100,040,196)		(100,040,196)
Other comprehensive income: Transfer of revaluation surplus absorbed through depreciation for the year - net of income tax effect		(32,523,694)		32,523,694	-	-
Unrealized gain on AFS investment recognized for the year			16,821,740	_	-	16,821,740
recognized for the year		(32,523,694)	16,821,740	32,523,694		16,821,740
	4	(32,523,694)	16,821,740	(67,516,502)		(83,218,456)
Balance at December 31, 2011	P99,852,308	P676,323,386	P10,727,680	P308,091,473	(P12,041,700)	P1,082,953,147

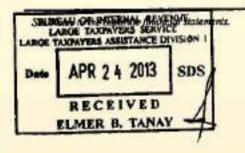


(A Subsidiary of Waterfront Philippines, Incorporated)

## (Owner and Operator of Manila Pavilion Hotel) SEPARATE STATEMENTS OF CHANGES IN EQUITY

For the Year Ended December 31, 2010

	Capital Stock (Note 13a)	Revaluation Surplus in Property and Equipment - Net (Note 8)	Unrealized Valuation Gain (Loss) on AFS investment (Note 11b)	Retained Earnings	Treasury Stock (Note 13a)	Total
Balance at January 1, 2010	P99,852,308	P741,370,774	(P3,579,470)	P351,736,179	(P12,041,700)	P1,177,338,091
Total comprehensive income for the year Net loss for the year		•		(8,651,898)		(8,651,898)
Other comprehensive income: Transfer of revaluation surplus absorbed through depreciation for the year - net of income tax effect		(32,523,694)		32,523,694	-	<u> </u>
Unrealized loss on AFS investment recognized for the year		-	(2,514,590)			(2,514,590)
		(32,523,694)	(2,514,590)	32,523,694		(2,514,590)
		(32,523,694)	(2,514,590)	23,871,796		(11,166,488)
Balance at December 31, 2010	P99,852,308	P708,847,080	(P6,094,060)	P375,607,975	(P12,041,700)	P1,166,171,603

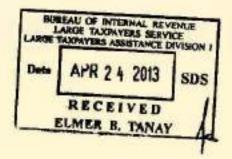


(A Subsidiary of Waterfront Philippines, Incorporated)

(Owner and Operator of Manila Pavilion Hotel)
SEPARATE STATEMENTS OF CASH FLOWS

			Years Ende	d December 31
	Note	2012	2011 (As Restated - Note 9)	2010
CASH FLOWS FROM				
OPERATING ACTIVITIES				
Income (loss) before income tax		P47,564,662	(P81,776,016)	(P16,680,721)
Adjustments for:		147,504,002	(101,110,010)	(110,000,721)
Depreciation	8	63,721,262	58,940,310	67,982,348
Retirement expense (income)		20,280,632	(650,820)	23,796,137
Interest expense on loan payable	16	14,000,635	13,395,680	14,161,056
Accretion expense (income) - net	16	7,083,867	6,569,477	(42,187,179)
Impairment losses, write-off of	4.90	1,000,007	0,202,477	(42,107,177)
receivables and provision	14	703,400	235,959,935	38,761,085
Net unrealized foreign exchange	47	703,400	233,332,733	30,701,003
gain		(21,803,958)	(265,882)	(27,345,006)
Loss (gain) on disposal of property		(21,000,350)	(200,002)	(27,343,000)
and equipment	8	(135,000)	1,568,412	
Interest income	16	C 464 (1.00 (4.00		/26 170
CONTRACTOR OF THE CONTRACTOR O	10	(52,171)	(162,535)	(36,178)
Operating income before working		*** *** ***	020 620 561	50 451 545
capital changes		131,363,329	233,578,561	58,451,542
Decrease (increase) in: Trade and other current				
		£ 444 200	2 452 502	(17 110 000)
receivables		6,441,298	3,453,592	(17,118,830)
Inventories		7,840,280	(1,466,174)	2,232,531
Prepayments and other current		10 man 0000	2 210 525	CC 20C 0223
assets		(9,722,086)	2,219,625	(4,326,233)
Increase (decrease) in:		*** *****	(00 000 F10)	/7 040 TO C
Trade and other current payables		26,807,169	(20,397,513)	(7,902,785)
Advances from subsidiary		698,919	17 000 000	100 000 000
Rentals received in advance			13,072,297	170,257,593
Accrued interest on obligations				****
under finance lease				5,835,375
Concessionaires and deposits			(647,795)	
Cash generated from operations		163,428,910	229,812,593	207,429,193
Interest received	490	52,171	162,535	36,178
Contribution to retirement fund	18	(5,800,000)	(5,000)	
Benefits paid	18	(4,608,048)		
Income tax paid		(19,675,910)	(36,422,310)	(3,049,277)
Net cash provided by operating activities		133,397,123	193,547,818	204,416,094

Forward



			Years End	ed December 31
	Note	2012	2011 (As Restated - Note 24)	2010
CASH FLOWS FROM INVESTING ACTIVITIES				
Increase in due from a related party	11	P117,480,803	(P110,578,826)	(P113,277,739)
Proceeds from realization of (additions to) other noncurrent			/F3 DED 3563	(22.214.052)
assets		15,349,515	(53,959,256)	(33,316,053)
Acquisitions of property and equipment	8	(156,368,661)	(10,330,948)	(442,411)
TO THE BOY BROOK STATES AND A STATE OF THE S	9, 23	(150,500,001)	(21,565,000)	(112,111)
Investment in a subsidiary	9, 23	/04 340 00m	(21,303,000)	
Payment of contract payable		(86,260,000)	-	
Proceeds from disposal of property and equipment		135,000		
Net cash used in investing activities		(109,663,343)	(196,434,030)	(147,036,203)
CASH FLOWS FROM FINANCING ACTIVITIES				V1500000000000000
Interest expense paid		(14,000,635)	(13,395,680)	(14,161,056)
Payment of mortgage loan	12	(31,165,902)		(2,259,904)
Net cash used in financing activities		(45,166,537)	(13,395,680)	(16,420,960)
NET INCREASE (DECREASE) IN CASH		(21,432,757)	(16,281,892)	40,958,931

28,257,128

P6,824,371

44,539,020

P28,257,128

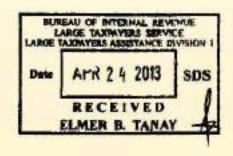
3,580,089

P44,539,020

See Notes to the Separate financial statements.

CASH AT BEGINNING OF YEAR

CASH AT END OF YEAR



## ACESITE (PHILS.) HOTEL CORPORATION (A Subsidiary of Waterfront Philippines, Incorporated) [Owner and Operator of Manila Pavilion Hotel]

#### NOTES TO THE SEPARATE FINANCIAL STATEMENTS

#### 1. Reporting Entity

Acesite (Phils.) Hotel Corporation (the "Company" or "APHC") is a 59%-owned subsidiary of Waterfront Philippines, Incorporated (WPI) and its ultimate parent is The Wellex Group, Inc. (see Note 12). It was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 10, 1952 primarily to engage in the business of operating a hotel, or other accommodations, for the general public and to construct such facilities as may be reasonably necessary or useful in connection with the same. The corporate life of the Company has been extended up to 2052.

The Company is the owner of Manila Pavilion Hotel (the "Hotel"). In 2011, the Company acquired CIMA Realty Phil., Inc. (CIMAR) and became its wholly-owned subsidiary (see Note 9). CIMAR is engaged into real estate business.

The Company's shares have been listed in the Philippine Stock Exchange (PSE) since December 5, 1986.

The Company's registered office address is Room 610, Manila Pavilion Hotel, United Nations Avenue, Ermita, Manila.

#### 2. Basis of Preparation

Statement of Compliance

The separate financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

In full compliance of PAS 27, Consolidated and Separate Financial Statements, the Company has also prepared consolidated financial statements for the Company and CIMAR, its wholly-owned subsidiary.

Users of these separate financial statements should read them together with the consolidated financial statements as of and for the year ended December 31, 2012 in order to obtain full information on the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company and its subsidiary as a whole. The consolidated financial statements can be obtained from the Philippine Securities and Exchange Commission and from the website of the Philippine Stock Exchange (www.pse.com.ph).

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

#### Basis of Measurement .

The separate financial statements are prepared on the historical cost basis except for hotel building and equipment and furniture, fixtures and equipment, which are measured at revalued amounts less accumulated depreciation and impairment losses, and AFS investment, which is measured at fair value. The measurement bases of these assets are fully described in Note 3.

#### Functional and Presentation Currency

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

#### Use of Estimates and Judgments

The preparation of separate financial statements in conformity 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 and disclosure of contingent assets and contingent liabilities. 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 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 separate financial statements are discussed in Note 4 to the separate financial statements.

#### Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these separate financial statements, and have been applied consistently by the Company.

#### Adoption of Revised Standards, Amendments to Standards and Interpretations

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

Disclosures - Transfers of Financial Assets (Amendments to PFRS 7), require
additional disclosures about transfers of financial assets. The amendments require
disclosure of information that enables users of financial statements to understand the
relationship between transferred financial assets that are not derecognized in their
entirety and the associated liabilities; and to evaluate the nature of, and risks
associated with, the entity's continuing involvement in derecognized financial assets.

- Deferred Tax: Recovery of Underlying Assets (Amendments to PAS 12) introduces an exception to the current measurement principles of deferred tax assets and liabilities arising from investment property measured using the fair value model in accordance with PAS 40, Investment Property. The exception also applies to investment properties acquired in a business combination accounted for in accordance with PFRS 3, Business Combinations provided the acquirer subsequently measure these assets applying the fair value model. The amendments integrated the guidance of Philippine Interpretation SIC-21, Income Taxes Recovery of Revalued Non-depreciable Assets into PAS, 12 Income Taxes, and as a result Philippine Interpretation SIC-21 has been withdrawn.
- Philippine Interpretations Committee Question and Answer (PIC Q&A) No. 2011-02
   *PFRS 3.2 Common Control Business Combinations* provides guidance on how should business combinations involving entities under common control be accounted for, given that these are outside the scope of PFRS 3, Business Combinations.
- PIC Q&A No. 2011-03 Accounting for Inter-company Loans provides guidance on how should an interest free or below market rate loan between group companies be accounted for in the separate/stand-alone financial statements of the lender and the borrower: (i) on the initial recognition of the loan; and (ii) during the periods to repayment.
- PIC Q&A No. 2011-05 PFRS 1.D1-D8 Fair Value or Revaluation as Deemed Cost provides guidance on how should the revaluation increment of property, plant and equipment when revalued amounts are accounted for as "deemed cost" at the date of transition to PFRS (or PFRS for SMEs) be accounted for; what are the additional disclosures required in order to comply with the relevant provisions of PAS 8 and the requirements of the Securities and Exchange Commission (SEC); whether a third statement of financial position is required in compliance with PAS 1.10(f); and how should the adjustment of the Revaluation Reserve against retained earnings affect an entity's compliance with SEC Memorandum Circular 11 Series of 2008.
- PIC Q&A No. 2011-06 PFRS 3, Business Combinations (2008), and PAS 40, Investment Property Acquisition of investment properties asset acquisition or business combination? provides guidance on how should the transaction be accounted for (as an asset acquisition or as a business combination?) if one entity acquires: (a) directly an investment property or properties, or (b) another entity that holds one or more investment properties; and what are the relevant factors that should be considered in determining whether a transaction is an asset acquisition or a business combination.

New or Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2012, and have not been applied in preparing these separate financial statements. None of these is expected to have a significant effect on the separate financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

#### To be Adopted on January 1, 2013

- Presentation of Items of Other Comprehensive Income (Amendments to PAS 1). The amendments:
  - require that an entity present separately the items of other comprehensive income
    that would be reclassified to profit or loss in the future if certain conditions are
    met from those that would never be reclassified to profit or loss;
  - do not change the existing option to present profit or loss and other comprehensive income in two statements; and
  - change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles.

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

- Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7). These amendments include minimum disclosure requirements related to financial assets and financial liabilities that are:
  - · offset in the statement of financial position; or
  - subject to enforceable master netting arrangements or similar agreements.

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

PFRS 10, Consolidated Financial Statements

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

An investor controls an investee when:

- it is exposed or has rights to variable returns from its involvement with that investee;
- it has the ability to affect those returns through its power over that investee; and
- there is a link between power and returns.
- PFRS 12, Disclosure of Interests in Other Entities

PFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate:

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

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

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

PFRS 13, Fair Value Measurement

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

PAS 19, Employee Benefits (Amended 2011)

The amended PAS 19 includes the following requirements:

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

Upon adoption by the Company of PAS 19 (Amended 2011) on January 1, 2013, the Company's pension asset will increase due to the recognition of actuarial gains amounting to P3.08 million (see Note 18).

PAS 27, Separate Financial Statements (2011)

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

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- Annual Improvements to PFRSs 2009 2011 Cycle various standards contain amendments to five standards with consequential amendments to other standards and interpretations. The amendments are effective for annual periods beginning on or after January 1, 2013. The following are the said improvements or amendments to PFRSs, none of which has a significant effect on the separate financial statements of the Company:
  - PFRS 1, First-time Adoption of Philippine Financial Reporting Standards -Repeated Application of PFRS 1. The amendment clarifies the applicability of PFRS 1 to an entity that has applied PFRSs in a previous reporting period, but whose most recent previous annual financial statements did not contain an explicit and unreserved statement of compliance with PFRSs. If such an entity presents its financial statements in accordance with PFRSs again, then it is now allowed, rather than required, to apply PFRS 1. A repeated adopter that elects not to apply PFRS 1 in the above situation has to apply PFRSs retrospectively in accordance with PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, as if it had never stopped applying PFRSs. Such an entity should also disclose the reason for electing to apply PFRSs on a continuous basis. Irrespective of whether the repeated adopter applies PFRS 1, it is required to disclose the reasons why it stopped applying PFRSs and is resuming the application of PFRSs. The IASB has also clarified that the above option is available regardless of whether PFRS 1 existed at the time the entity previously applied PFRSs. For example, the above option is available to a repeated adopter that previously applied Philippine Interpretation SIC-8, First-time Application of PASs as the Primary Basis of Accounting.
  - PFRS 1 Borrowing Cost Exemption. This is amended to clarify how the exemption should be applied for borrowing costs relating to qualifying assets for which the commencement date of capitalization is before the date of transition to PFRSs.

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

- it should not restate the borrowing cost component that was capitalized under previous GAAP; and
- o it should account for borrowing costs incurred on or after the date of transition (or an earlier date, as permitted by PAS 23, Borrowing Costs) in accordance with PAS 23. This includes those borrowing costs that have been incurred on qualifying assets already under construction at that date.
- PAS 1, Presentation of Financial Statements Comparative Information beyond
  Minimum Requirements. This is amended to clarify that only one comparative
  period which is the preceding period is required for a complete set of financial
  statements. If an entity presents additional comparative information, then that
  additional information need not be in the form of a complete set of financial
  statements. However, such information should be accompanied by related notes
  and should be in accordance with PFRSs.

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

- o other primary statements for that additional comparative period, such as a third statement of cash flows; or
- o the notes related to these other primary statements.
- PAS 1 Presentation of the Opening Statement of Financial Position and Related Notes. This is amended to clarify that:
  - the opening statement of financial position is required only if:
    - a change in accounting policy;
    - a retrospective restatement; or
    - a reclassification

has a material effect upon the information in that statement of financial position:

 except for the disclosures required under PAS 8, notes related to the opening statement of financial position are no longer required; and

o the appropriate date for the opening statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented. This is regardless of whether an entity provides additional comparative information beyond the minimum comparative information requirements.

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

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

- PAS 16, Property, Plant and Equipment Classification of Servicing Equipment.
  This is amended to clarify the accounting of spare parts, stand-by equipment and
  servicing equipment. The definition of 'property, plant and equipment' in
  PAS 16 is now considered in determining whether these items should be
  accounted for under that standard. If these items do not meet the definition, then
  they are accounted for using PAS 2, Inventories.
- PAS 32, Financial Instruments Presentation Income Tax Consequences of Distributions. This is amended to clarify that PAS 12, Income Taxes applies to the accounting for income taxes relating to:
  - o distributions to holders of an equity instrument; and
  - o transaction costs of an equity transaction.

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

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

To be Adopted on January 1, 2014

- Offsetting Financial Assets and Financial Liabilities (Amendments to PAS 32). These
  amendments clarify that:
  - An entity currently has a legally enforceable right to set-off if that right is:
    - not contingent on a future event; and
    - enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.
  - Gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that:
    - eliminate or result in insignificant credit and liquidity risk; and
    - process receivables and payables in a single settlement process or cycle.

To be Adopted on January 1, 2015

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

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

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

The accounting policies set out below have been applied consistently to all periods presented in these separate financial statements.

Income Recognition

Income is recognized to the extent that it is probable that the economic benefits will flow to the Company 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:

Room

Room revenue is recognized based on actual occupancy.

Food and Beverage

Food and beverage revenue is recognized when orders are served.

Rental

Rental income on leased areas of the Company is accounted for on a straight-line basis over the term of the lease, except for cancellable leases which are recognized at amounts collected or collectible based on the contract provision.

#### Other Operating Departments

Revenue from other operating departments, including telephone, guest laundry and valet, transportation and executive business center, is recognized upon execution of service or as contracted.

#### Interest

Interest income is recognized as it accrues in profit or loss, using the effective interest

#### 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.

#### Financial Instruments

#### Date of Recognition

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

#### Initial Recognition of Financial Instruments

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

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

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

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

#### Determination of Fair Value

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

#### (a) Financial Assets or Financial Liabilities at FVPL

Financial assets and financial liabilities at FVPL include financial assets or liabilities held for trading purposes, and those designated upon initial recognition as at FVPL, and derivative instruments.

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

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at FVPL are recognized in the statements of financial position at fair value. Changes in fair value on financial assets and liabilities designated at FVPL are recorded in a marked-to-market (MTM) gain/loss account in profit or loss. As of December 31, 2012 and 2011, the Company has no financial assets and financial liabilities at FVPL.

#### (b) HTM Investments

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

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

As of December 31, 2012 and 2011, the Company has no HTM investments.

# (c) AFS Investments . AFS investments a classified as finance. They are purchased

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

Subsequent to initial recognition, AFS investments are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS debt instruments, are recognized in other comprehensive income and presented in the "Unrealized valuation gain (loss) on AFS investment" in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

As of December 31, 2012 and 2011, the Company has designated as AFS investment its investments in shares of stock of Wellex Industries, Incorporated (WII) (see Note 11b).

#### (d) Loans and Receivables

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

The amortization is included in the interest income in profit or loss. The losses arising from impairment of such loans and receivables are recognized in "Impairment losses" account in profit or loss.

Loans and receivables comprise cash, trade and other current receivables, due from a related party, and refundable deposits.

Cash includes cash on hand and cash in banks.

#### (e) Other Financial Liabilities at Amortized Cost

This classification includes its interest bearing loan with Industrial Commercial Bank of China Singapore Branch (ICBC), contract payable, trade and other current payables, refundable security deposits, obligations under finance leases and related accrued interest.

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

#### Derecognition of Financial Assets and Liabilities

Financial Assets

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

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either:

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

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

#### Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognized in profit or loss.

#### Impairment of Financial Assets

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

#### Financial Assets Carried at Amortized Cost

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

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is recognized in profit or loss. Interest income, if any, continues to be recognized based on the original effective interest rate of the asset. Receivables, together with the associated allowance accounts, are written-off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account.

If a write-off is later recovered, any amount formerly charged off is recognized in profit or loss.

#### Financial Assets Carried at Cost

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

#### AFS Investments

Impairment losses on AFS investments are recognized by reclassifying the losses accumulated in the "Unrealized valuation gain (loss) on AFS investment" in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal payment and amortization, and the current fair value, less any impairment loss recognized previously in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired AFS debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired AFS equity security is recognized in other comprehensive income.

#### Offsetting Financial Assets and Liabilities

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

#### Inventories

Inventories are stated at the lower of cost and net realizable value (NRV). Cost is determined using the weighted average method.

NRV of saleable merchandise is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. NRV of operating supplies and engineering and maintenance supplies is the estimated replacement cost.

#### Investment in a Subsidiary

The Company carries its investment in shares of stock of its subsidiary under the cost method of accounting for investments. A subsidiary is an entity that is controlled by the Company. Under the cost method, the investment is carried at cost less impairment losses, if any. The investor recognizes income from the investment only to the extent that the investor receives distributions from accumulated profits of the investee arising after the date of the acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

#### Property and Equipment

#### At Revalued Amount

Hotel building and equipment and furniture, fixtures and equipment are carried at revalued amount less accumulated depreciation and impairment losses, if any. The revalued amount is the fair value at the date of revaluation less any impairment losses. Revaluation is performed periodically by an independent firm of appraisers to ensure that the carrying amount of the asset does not differ materially from that which would be determined at the reporting date. The last valuation was performed as of March 24, 2009. The net appraisal surplus resulting from the revaluation is credited to the "Revaluation surplus in property and equipment" (net of corresponding deferred income tax effects) account shown in the statements of changes in equity.

The amount of revaluation surplus absorbed through depreciation is transferred to "Retained earnings" (net of deferred income tax effect).

#### At Cost

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets which are as follows:

	Number of Years
Hotel building and equipment	15 - 50
Furniture, fixtures and equipment	3
Transportation equipment	3

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

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of those assets.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost or revalued amount and the related accumulated depreciation and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

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

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

#### Impairment of Nonfinancial Assets

The carrying amounts of the Company's property and equipment and other nonfinancial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the impaired asset is estimated.

An impairment loss is recognized whenever the carrying amount of an asset or its cashgenerating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss, unless the asset is carried at revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset. The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. Fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset being evaluated. If an asset does not generate cash inflows that are largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized. Reversals of impairments are recognized in profit or loss, unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

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

Segment Reporting

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

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

Provisions and Contingencies

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

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets are not recognized in the separate financial statements but are disclosed when the inflow of economic benefits is probable.

#### Income Taxes

Income tax recognized in profit or loss for the year comprises current and deferred tax. Current and deferred income tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income, in which case they are recognized in equity or in other comprehensive income.

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

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

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

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

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

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

#### Foreign Currency Transactions and Translations

Transactions in foreign currencies are translated into Philippine peso using the exchange rates prevailing at the dates of such transactions. Monetary assets and liabilities denominated in foreign currencies are translated to their Philippine peso equivalents using the rates of exchange prevailing at the reporting date.

Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

#### Borrowing Costs

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

#### Retirement Benefits

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

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

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

#### Related Party Relationship

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

#### Operating Lease - Company as Lessee

Lease in which a significant portion of the risk and rewards of ownership is retained by the lessor are classified as operating lease. Payments made under non-cancellable operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

#### Operating Lease - Company as Lessor

Leases in which a significant portion of the risks and rewards of ownership is retained by the Company are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned. Rental income is recognized in profit or loss on a straight-line basis over the term of the lease.

Finance Lease - Company as Lessee

Leases in which all the risks and rewards incidental to ownership is substantially transferred to the lessee is classified as finance lease. At the commencement of the lease term, the Company shall recognize finance leases as assets and liabilities in its statements of financial position at amount equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, if not, the lessee's incremental borrowing rate. Any initial direct costs of the lease are added to the amount recognized as an asset.

Prior to 2011, the Company has a lease agreement for the land as a lessee. The Company has determined that it has substantially acquired all the risks and benefits incidental to ownership of the land. Prior to the termination of the agreement in 2011, the Company accounted for this as a finance lease.

Capital Stock

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

Preferred share capital is classified as equity if it is redeemable on a specific date or at the option of the shareholders, or if the dividend payments are not discretionary. Dividends thereon are recognized as interest expense in profit or loss as accrued.

Treasury Stock

The Company's shares which are reacquired and held by the Company are deducted from equity and accounted for at weighted average cost. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from retained earnings.

Earnings (Loss) Per Share

Basic 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 and stock splits 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.

Events After the Reporting Date

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

# 4. Accounting Estimates and Judgments

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

Judgments

Determining Functional Currency

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

Operating Lease - Company as Lessee

The Company has entered into a lease agreement with CIMAR relating to land in which the Hotel is situated. The Company has determined, based on an evaluation of the terms and conditions of the arrangement, that the lessor retains all the significant risks and rewards of ownership of the lease property.

Operating Lease - Company as Lessor

The Company has entered into commercial property leases on the commercial spaces located in the Hotel. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these commercial spaces and accounts for the contracts as operating leases.

Finance Lease - Company as the Lessee

Prior to the termination of the finance lease agreement in 2011, it is the Company's judgment, based on an evaluation of the terms and conditions of the arrangements, that it has substantially acquired all the significant risks and rewards incidental to ownership of the land. Accordingly, the Company accounted for this as a finance lease and capitalized the cost of the land and recognized the related finance lease obligation prior to 2011 (see Note 23c). The land subject to the finance lease agreement had been the subject of the ejectment case filed by the lessor.

As disclosed in Note 23c, as part of the global settlement of all cases and controversies, the finance lease was superseded by an operating lease following acquisition by the Company of CIMAR.

Receivables from Acesite Limited (BVI)

Prior to 2011, the Company had receivables from Acesite Limited (BVI) or ALB with carrying value of P650.0 million in 2010, which have been the subject of collection efforts by the management following a legal dispute raised by ALB regarding the change in the ownership of the Company in 2003.

As disclosed in Note 7, the balance of the receivables, after write-off of P234.92 million, were realized through the acquisition by the Company of CIMAR.

Tax Assessments and Legal Claims

The Company has outstanding tax assessments for alleged deficiency taxes and is also a defendant in various legal cases which are still pending resolution. The Company's management and its legal counsel have made a judgment that the position of the Company on these matters is sustainable and, accordingly, have made a judgment that the Company does not have a present obligation (legal or constructive) with respect to such assessments and claims. However, for prudent financial reporting, the Company recognized a provision amounting to P20.23 million (see Note 23e).

Transactions with Philippine Amusement and Gaming Corporation (PAGCOR)

The Company has significant transactions with PAGCOR. Under Presidential Decree (PD) No. 1869, otherwise known as the PAGCOR Charter, PAGCOR is exempted from payment of any form of taxes other than the 5% franchise tax imposed on the gross revenue or earnings derived by PAGCOR from its operations under the franchise. The amended Revenue Regulations (RR) No. 16-2005 which became effective in 2006, however, provides that gross receipts of PAGCOR shall be subject to the 12% value added tax (VAT). In February 2007, the Philippine Congress amended PD No. 1869 to extend the franchise term of PAGCOR for another 25 years but did not include any revocation of PAGCOR's tax exemption privileges as previously provided for in PD No. 1869. In accounting for the Company's transactions with PAGCOR, the Company's management and its legal counsel have made a judgment that the amended PD No. 1869 prevails over the amended RR No. 16-2005 (see Notes 19 and 23e).

#### Estimates

Impairment of Assets

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

Allowances for Impairment Losses on Receivables

The Company maintains an allowance for impairment losses on receivables, including its receivables from ALB and advances to related parties, at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the Company on the basis of factors that affect the collectibility of the related accounts. These factors include, but are not limited to, the length of the Company's relationship with its customers or debtor, their payment behavior and known market factors. The Company reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates.

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

Allowance for impairment losses on receivables as of December 31, 2012 and 2011 amounted to P2.34 million and P3.23 million, respectively (see Notes 5 and 7). Also, in 2011, the Company wrote off portion of its receivables from ALB amounting to P234.92 million (see Note 7).

#### AFS investments

The Company classifies certain assets as AFS investments and recognizes movements in their fair value in equity. When the fair value declines, the management makes assumptions about the decline in value to determine whether it is an impairment that should be recognized in profit or loss.

As of the reporting date, based on the assessment of the Company, there is no indication of impairment of assets. The carrying value of AFS financial assets as of December 31, 2012 and 2011 amounted to P26.01 million and P22.98 million, respectively (see Note 11b).

Useful Lives of Property and Equipment

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed at each reporting date and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment is based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above.

Appraisal Value of Certain Property and Equipment

The fair value of the Company's property and equipment carried at revalued amounts are determined from market-based evidence by appraisal that was undertaken by an independent firm of appraisers in calculating such amounts. While management believes that the assumptions and market-based evidences used are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the valuation of the Company's property and equipment. However, management believes that the carrying amount of property and equipment as of December 31, 2012 and 2011 does not differ materially from that which would be determined using fair value at reporting date.

As of December 31, 2012 and 2011, the aggregate carrying amount of property and equipment amounted to P1.14 billion and P1.05 billion, respectively (see Note 8).

Impairment of Property and Equipment

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

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

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

As of the reporting date, based on the assessment of the Company, there is no indication of impairment of the property and equipment.

Retirement Liability and Expenses

The determination of the Company's retirement liability and expense is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. In accordance with PAS 19, actual results that differ from the Company's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expenses and recorded liability in such future periods. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement cost and retirement liability.

The expected rate of return on plan assets of 6% was based on the average historical premium of the fund assets. The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of reporting dates. Refer to Note 19 for the details of the assumption used in the calculation.

As of December 31, 2012 and 2011, the retirement liability amounted to P143.93 million and P134.06 million, respectively. The retirement benefits income in 2011 amounted to P.65 million, and the retirement benefits cost in 2012 and 2010 amounted to P20.28 million and P23.80 million, respectively (see Note 18).

Deferred Tax Assets

The Company reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The Company recognized deferred tax assets amounting to P179.54 million and P186.94 million as of December 31, 2012 and 2011, respectively (see Note 19).

Legal Contingencies

The Company is currently involved in various legal proceedings, including a tax case and tax assessment. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Company's defense in these matters and is based upon an analysis of potential results. The Company currently does not believe that these proceedings will have a material adverse effect on its financial position after recognizing provision amounting to P20.23 million. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

#### 5. Trade and Other Current Receivables

This account consists of:

	2012	2011
Guests, concessionaires and other patrons Others	P30,721,129 1,633,020	P36,007,109 4,383,552
Less allowance for impairment losses	32,354,149 2,342,916	40,390,661 3,234,730
Designation for important	P30,011,233	P37,155,931

Receivables from guests, concessionaires and other patrons are noninterest-bearing and are generally on 30-day terms.

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

	Note	2012	2011
Beginning balance	0	P3,234,730	P2,219,375
Impairment loss for the year	14	703,400	1,015,355
Write-off against allowance	72.00	(1,595,214)	-
Ending balance		P2,342,916	P3,234,730

#### 6. Inventories

This account consists of:

2012	2011
P3,027,175	P9,830,583
2,985,505	3,816,502
833,118	1,038,993
P6,845,798	P14,686,078
	P3,027,175 2,985,505 833,118

The Company's inventories are carried at cost, which is lower than their net realizable value, as of December 31, 2012 and 2011.

# 7. Receivables from Acesite Limited (BVI)

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

Prior to the acquisition of CIMAR, management and the BOD estimated the maximum recoverable amount of the receivables, upon consultations with the legal counsels on the status of the discussions with ALB for an impending amicable settlement, to be not in excess of P415.1 million. Accordingly, in 2011, the Company's BOD approved a write-off of portion of the receivables amounting to P234.92 million (see Note 14).

The breakdown of the noninterest-bearing receivables prior to the settlement follows:

	2010
Receivable from sale of investment in Listar Properties Limited (LPL) Working capital advances	P327,587,500 322,412,500
	P650,000,000

As disclosed in Note 23c, in July 2011, the Regional Trial Court (RTC) of Manila issued an order granting the joint motion to dismiss the ejectment case filed by CIMAR against the APHC.

#### 8. Property and Equipment

The balances and movements in this account are as follows:

	F	er the Year Ende	d December 31, 201	2	
Hotel Building and Equipment	Foresture, Fixtures and Equipment	Operating Equipment	Transportation Equipment	Construction in Progress	Total
	na.raman	All Coal	211 5.02	ALCON	1,004
P2,961,308,077 22,725,161 (90,097,039)	P236,189,527 1,243,879 (201,660,699)	P159,967,116 8,529,197 (24,107)	P140,000 (140,000)	P - 123,470,424	F3,357,604,720 156,368,661 (291,921,845)
2,893,936,199	35,772,707	168,572,206		123,476,424	3,222,051,536
1 674 107 858	234 943 137	151 358 665	140,000		2,310,657,268
\$5,409,138 (90,097,839)	\$13,596 (201,660,699)	7,798,328	(140,000)		63,721,262 (291,921,845)
1,889,509,357	33,815,024	159,132,304			2,062,456,685
P1,637,111,019	P1,227,400	P8,609,033	۲.	P -	P1,046,947,452
P1,004,426,342	P1,957,683	19,739,902	7.	P123,478,424	P1,139,594,851
֡֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜֜	Building and Equipment Revalued P2,961,308,077 22,725,161 (90,997,039) 2,893,936,199 1,524,197,858 55,409,138 (90,097,839) 1,889,509,357 P1,637,111,019	Hotel   Furniture,   Fisture and   Equipment   Revalued   Equipment   Revalued	Hotel   Furniture,   Building and   Equipment   Equipment   Equipment   Equipment   Equipment   Revalued   Ar Cost	Hotel   Furniture,   Building and   Furniture,   Pixtures and   Equipment   Equipment   Equipment   Equipment   Equipment   Revalued   Ar Cost   At Cost   At Cost	Building and Equipment         Fixtures and Equipment         Operating Equipment         Transportation Equipment         Construction in Progress           Revalued         Revalued         At Cost         At Cost         At Cost           P2,961,308,077         P236,189,527         P159,967,116         P140,000         P - 123,470,424           P2,961,308,077         P236,189,527         P159,967,116         P140,000         P - 123,470,424           P2,961,308,071         1,243,879         8,529,197         (140,000)         123,470,424           P3,973,936,199         35,772,707         168,572,206         -         123,476,424           1,524,197,858         234,962,127         151,358,663         140,000         - 58,409,138         513,596         7,798,128         - 6,24,107)         (140,000)         - 6,24,107)         -         -           P1,837,111,919         P1,227,400         P8,609,033         P -         P -         P -

	STATE OF THE PARTY		For the Year Ended	December 31, 2011		
	Hotel Building and Equipment	Furniture, Fintures and Equipment	Operating Equipment	Transportation Equipment	Construction in Progress	
Measurement basic	Revolued	Revolved	At Cost	Al Cust	Ai Cost	Tetal
Gross carrying amount. Beginning belance Additions Disposals	P2,960,745,705 562,372	P235,335,217 854,310	P151,052,850 8,914,266	P140,000	P1,568,412 (1,568,412)	P3,348,842,184 10,330,948 (1,568,412)
Erding balance	2,961,308,077	236,189,527	159,967,116	140,000	* 1	3,317,604,720
Assumulated depreciation: Beginning balance Depreciation for the year	1,856,289,749 57,907,309	234,234,339 727,768	151,052,850 305,233	140,000		2,251,716,958 58,940,310
Ending balance	1,924,197,658	234,962,127	151,358,083	140,000		2,310,657,268
Carrying amount: Beginning balance	P1,094,455,956	P1,100,858	٠.	, .	P1,368,412	P1,097,125,226
Ending balance	P1,037,111,019	P1,227,400	P8,609,033	2 .	р.	P1,046,947,452

As discussed in Note 12, the hotel building and equipment and furniture, fixtures and equipment with a total carrying amount of P1.14 billion and P1.05 billion as of December 31, 2012 and 2011, respectively, are used as collateral for the Company's loan with ICBC.

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

In 2009, revaluation surplus in property and equipment amounted to P187.28 million as a result of the revaluation made in the same year. The accumulated balance of revaluation increment net of amount absorbed through depreciation and transferred directly to retained earnings, net of deferred income tax, amounted to P929 million and P976 million as of December 31, 2012 and 2011, respectively. The revaluation increment absorbed through depreciation and transferred directly to retained earnings, net of deferred income tax liabilities, amounted to P32.52 million in 2012 and 2011.

Had the following classes of property and equipment been carried at cost less accumulated depreciation and impairment losses, their carrying amounts would have been as follows:

	2012	2011
Hotel building and equipment	P397,634,193	P374,909,032
Furniture, fixtures and equipment	241,058,021	239,814,042
	638,692,214	614,723,074
Less accumulated depreciation	552,021,434	542,560,920
	P86,670,780	P72,162,154

Depreciation on cost and on appraisal increase charged to operations amounted to P17.26 million and P46.46 million, respectively, in 2012; P12.48 million and P46.46 million, respectively, in 2011; and P21.52 million and P46.46 million, respectively, in 2010.

### 9. Investment in a Subsidiary

In July 2011, the Company and CIMAR executed a Memorandum of Agreement (MOA), which effectively settled all pending cases and controversies between the two parties (see Note 23c). In fulfillment of all the terms and conditions of the MOA, CIMAR's stockholders including all their nominees, agree to assign, sell, transfer and convey all existing shares of stock of CIMAR to the Company. Accordingly, in October 2011, CIMAR's stockholders executed deeds of sale, transfer and assignment of shares representing 100% interest over CIMAR in favor of the Company. In consideration, the Company paid US\$2.5 million in a series of terms payments [US\$500 thousand (P21.6 million) in 2011 and US\$2 million (P86.3 million) in 2012] plus the carrying value of the Company's receivables from ALB (see Note 7), net of Company's liability to CIMAR (see Note 23c), as of acquisition date.

The following is the summarized financial information of the Subsidiary as at and for the periods ended December 31, 2012 and 2011:

	2012 (One year)	(Two months)
Financial Position:		
Total assets	P653,567,525	P651,128,619
Total current liabilities	354,854	350,000
Total noncurrent liabilities	190,926,653	190,444,836
Results of Operation:		
Revenue	4,284,630	816,120
Net income	1,952,234	571,284

Measurement Period Adjustments

The consolidated financial statements as at and for the year 2011 were retrospectively adjusted for new information obtained during the measurement period relating to the fair value at date of acquisition of assets transferred by APHC as consideration for the business combination. The re-measurement resulted to the reduction of the recognized cost of investment from P602.58 million to P459.76 million and the recognition of additional impairment loss of the receivables from ALB amounting to P142.8 million in 2011.

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

-2110	As Previously Reported	Net Adjustments	As Restated
Separate Statement of Financial Position Investment in subsidiary Retained earnings	P602,581,650 450,910,623	(P142,819,150) (142,819,150)	P459,762,500 308,091,473
Separate statement of Comprehensive Income Net income (loss)	42,778,954	(142,819,150)	(100,040,196)

# 10. Trade and Other Current Payables

This account consists of:

	Note	2012	2011
Trade payables	23e	P170,294,568	P133,098,238
Accruals:			0.000102.0000
Local taxes		16,271,098	18,283,310
Vacation and sick leave		9,988,941	9,314,525
Rental	236	2,422,178	816,120
Laundry		2,078,677	2,291,276
Utilities		108,586	148,641
Other accruals		1,569,423	3,123,050
Withholding taxes payable		2,254,632	3,940,332
Output tax payable		2,016,373	2,790,298
Service charge		1,915,209	2,563,977
		1,092,419	2,594,976
Guest deposits		1,079,087	558,548
Service charge withheld		868,616	469,437
Unclaimed wages			1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
Others		4,178,837	9,338,747
<del></del>		P216,138,644	P189,331,475

Trade payables are noninterest-bearing and are normally on 30-day terms. Other payables include commissions, sponsorships, and unclaimed benefits.

## 11. Related Party Transactions

The Company's related party transactions include transactions with WPI, and its key management personnel. In the normal course of business, the Company transacts with these related parties, which are defined in PAS 24, Related Party Disclosures. These transactions consist of:

		Outstanding Balance					
Category/ Transaction	Year	Note	Amount of the Transaction	Due from a Related Party	Due from a Subsidiary	Terms	
Parent	void.						
Short-term	2012	a	P191,064,446	P572,051,985	P -	Unsecured, non-	
advances	2011		264,617,001	689,532,788		interest bearing, and payable on demand	
Subsidiary							
Operating lease	2012		4,284,630		698,919	Unsecured, non-	
	2011		816,120	•		interest bearing, and payable on demand	
Key Management							
Personnel							
Short-term	2012		9,851,837				
employee	2011		8,624,654				
benefits	2010		8,213,984				
· Post employment	2012		642,143	-	-	-	
benefits	2011		632,846	*			
SEASON STATE OF THE SEASON	2010		602,541				
TOTAL	2012			P572,051,985	P698,919		
TOTAL	2011			P689,532,788	р.		

- a. The receivables from Parent pertain to various noninterest-bearing, short-term advances by the Company for and on behalf of WPI. These advances are due and collectible on demand and are expected to be repaid within the next twelve months. The transactions with WPI also include its allocated share in the common operating expenses.
- b. The Company has entered into an operating lease with CIMAR for use of the latter's land following the cancellation of finance lease between the two parties (see Note 23c). This non-cancellable operating lease commenced on November 1, 2011 and has a term of 20 years with escalation rate of 5% per annum. Also, the contract provides for two months rent free.

In July and August 2005, the BOD approved the conversion of the Company's net receivables from related parties into 86,710,000 shares of stock of WII, an affiliate, the shares of which are listed in the PSE. The carrying amount of the net receivables at the time of conversion was P43.3 million. The conversion resulted in a loss on exchange of assets of P31.1 million for the Company. In accordance with PAS 39, Financial Instruments: Recognition and Measurement, the Company classified the investment in WII's shares of stocks as AFS investment. The fair market values of AFS investment based on its closing market prices as of December 31, 2012 and 2011 are P26.01 million and P22.98 million, respectively, resulting in a valuation gain of P3.03 million and P16.82 million in 2012 and 2011, respectively.

c. In February 16, 2009, the Company assigned its future rental receivables from PAGCOR, arising from the latter's lease commitments to the Company as disclosed in Note 23, in payment of the loan of Pacific Rehouse Corporation (a stockholder of the Company's parent) and the loan of Waterfront Mactan Casino Hotel, Inc. (a fellow subsidiary of the Company) from Philippine Business Bank.

#### 12. Loan Payable

This represents the balance of a 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 was restructured in 2000 and bears interest at prime rate plus 5% spread. The loan is guaranteed by a first legal mortgage over the parcel of land owned by CIMAR where the Hotel is situated, the Hotel building and equipment, and the furniture, fixtures and all other items thereon which belong to the Company. The loan is covered by corporate guarantees from Sino-I and CIM Co. Ltd., Hong Kong (former owner of CIMAR) and a personal guarantee from Mr. Yu Phun Hoi, Chairman of Sino-I.

On June 3, 2003, an Amendment Agreement was signed by the parties to amend the Existing Facility Agreement. As amended, the balance of the loan amounting to US\$14,256,987 shall bear annual interest rate at 2% above Singapore Interbank Offer Rate (SIBOR) and shall be payable in semi-annual installments up to April 30, 2006.

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

On July 9, 2004, ICBC communicated to the Company that they are not agreeable to any further extension of time for the new management to review the Amendment Agreement and the suspension of loan installment payment. ICBC also demanded to effect payment of the overdue loan installment plus interest and legal fees amounting to US\$1.7 million as of June 30, 2004 within the next five days. Only upon receipt of the said payment within the next five days that ICBC will be prepared to discuss the arrangement with the Company on a strictly without prejudice basis; if payment is not received by then, ICBC will declare an event of default and proceed to recover the outstanding balance from the Company under the Amendment Agreement without any further reference. On July 12, 2004, the Company paid interests and legal fees totaling US\$164,043, which the ICBC accepted.

On July 19, 2004, representatives of the Company and ICBC formally met where the Company requested for the reconsideration of the five-day deadline and to allow the Company a reprieve in paying the loan installment payment due for the period, or any balance thereof, which the Company suggested to be placed at the end of the term of the Amendment Agreement. However, the scheduled loan installment due in October 2004 shall resume and the succeeding installment payments thereafter. The Company also offered to pay 10% of the loan installment (US\$150,000) due for the period and committed to update all interest payments. On July 23, 2004, the Company paid the 10% of the loan installment of US\$150,000, which ICBC accepted. The Company paid US\$750,000 in 2006 and US\$ 50,000 in 2010. In 2012, the Company made a partial loan payment amounting to US\$749,980 or P31.31 million. However, there were no principal payments made in 2009 and 2008.

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

#### 13. Equity

#### a. Capital Stock

#### Common Shares

Common shares of the Company totaling 74,889,231 shares (representing 75% of the total outstanding stock of the Company) were previously held by ALB and were pledged by ALB in favor of EPCIB for the latter's loans to an affiliate of ALB.

On February 17, 2003, EPCIB foreclosed the said shares and sold them to WPI as a block sale in the PSE. ALB contested the foreclosure, and on February 20, 2003, filed a case for the annulment of the sale, with application for issuance of a writ of preliminary injunction and a prayer for a temporary restraining order with the Regional Trial Court (RTC) of Makati City. On August 15, 2003, the RTC of Makati City granted ALB request for preliminary injunction upon posting of the necessary injunction bond.

On June 3, 2004, for failure of ALB to post the full amount of the injunction bond, the RTC of Makati City ordered the stock transfer agent of the Company to transfer the 74,889,231 shares to EPCIB and, in accordance with the Deed of Assignment of Shares of Stock dated February 17, 2003, the shares were transferred to WPI. Subsequently, ALB filed a motion for reconsideration of the order dissolving the writ of injunction issued by the RTC of Makati City.

On June 24, 2004, at the annual stockholders' meeting of the Company pursuant to the order of the SEC, WPI, as the registered majority stockholder of record, elected new directors to serve as such until the next annual stockholders' meeting. On July 2, 2004, a certain stockholder filed at the RTC of Manila a motion for intervention for the annulment of both the June 24, 2004 stockholders' meeting and the election of the new directors. On August 16, 2004, the RTC of Manila dismissed the case on the intervention filed by the stockholder.

On August 10, 2004, the Court of Appeals (CA) gave due course to EPCIB's petition and set aside the questioned Orders on ALB request for preliminary injunction bond. On the same date, ALB filed a Motion for Reconsideration which the CA denied on November 24, 2004.

On December 22, 2004, ALB questioned the said Resolutions of the CA by filing a Petition for Review on Certiorari at the Supreme Court (SC). On January 19, 2005, the SC denied the Petition for Review on Certiorari on the decision and resolution of the CA dated August 10, 2004 and November 24, 2004, respectively, for failure of ALB to state the material date showing when notice of judgment thereof was received. On March 1, 2005, ALB filed a motion for reconsideration of the said denial by the SC. The petition for reconsideration filed by ALB has been denied with finality by the SC on March 14, 2005.

In March 2006, ALB commenced proceedings in Hong Kong against EPCIB and WPI to pursue its claim.

In view of the MOA signed in July 2011 as disclosed in Note 9, ALB forever renounces its claim against WPI and EPCIB.

The movements in the number of authorized and issued and outstanding common stock are as follows:

	Note	2012	2011
Authorized:			
Balance at beginning of year		300,000,000	300,000,000
Increase in authorized capital stock	13b	900,000,000	
		1,200,000,000	300,000,000
Issued and outstanding:		101141541541541	7070745016450
Balance at beginning of year		99,852,308	99,852,308
Stock dividends	136	246,248,212	
		346,100,520	99,852,308

Common shares have a par value of P1 per share.

As of December 31, 2012, the Company has 152,688,617 shares held by the public or 44% of the total outstanding capital stock.

#### Preferred Shares

The Company's authorized and unissued preferred shares as of December 31, 2012 and 2011 amounted to P10 million, consisting of 20,000 shares with a par value of P500 per share.

The Company's preferred shares have the following attributes:

- a. Non-voting;
- b. non-convertible to common shares;
- c. redeemable at a premium of 5%; and
- d. entitled to cumulative dividends of 9% per annum.

#### Treasury Shares

On November 13, 2007, the BOD approved the creation of a share buyback program involving the Company's common stock. As of December 31, 2012 and 2011, the Company's outstanding treasury stock totaled to 1,353,000 shares with a total cost of P12.04 million.

#### Increase in Authorized Capital Stock, Stock Dividend, and Stock Rights

On August 1, 2008, subject to the approval of the stockholders holding two-thirds of the outstanding capital stock of the Company and of the SEC, the BOD approved the increase of the Company's authorized capital stock to P2.1 billion from P310 million in 2007 and the declaration of a 300% stock dividend. The BOD also approved a P150-million stock rights offering to fund a complete facelift of the Hotel. By this stock rights offering, eligible shareholders can buy 0.38 common shares for every one share held. The record date and the payment date shall be fixed and approved by the SEC after the increase in authorized capital stock have been approved.

On June 11, 2009, the BOD resolved that in order to comply with the SEC guidelines on the declaration of dividends with respect to increase of authorized capital stock and declaration of stock dividends, the foregoing planned increase in authorized capital stock will be done in two (2) tranches: first, to increase the authorized capital stock to P1.21 billion from P310 million and to declare a 250% stock dividend to be taken out from the said increase; and second, to further increase the authorized capital stock from P1.21 billion to P2.01 billion and undertake a stock rights offering by which 25% of the P800 million additional increase will be offered for subscription.

On May 25, 2012, the application for the increase in the Company's authorized capital stock from P310 million to P1.21 billion was approved by SEC. Accordingly, the Company distributed the 250% stock dividends or 246,248,212 shares on July 19, 2012 for stockholders of record as of June 25, 2012.

### 14. General and Administrative Expenses

This account consists of:

	Note	2012	2011 (As Restated - Note 9)	2010
Personnel costs	17	P28,645,152	P25,282,827	P31,289,679
Security services		11,579,825	11,652,803	10,234,363
Medical expense		4,766,180	4,959,993	5,181,554
Rent	23b	4,284,630	816,120	
Representation expense		4,232,983	7,230,397	22,428,605
System support		3,361,983	3,368,301	3,321,427
Taxes and licenses		3,334,465	7,253,662	3,605,216
Reservation		2,679,592	3,408,479	3,345,506
Printing and stationery		2,187,745	1,282,242	899,293
Professional fees		1,725,666	3,070,250	1,618,492
Impairment losses, bad debts written-off and	5, 7,9, 23e	703,400	235,959,935	38,761,085
provisions Communications	3, 1,7, 236	458,247	581,505	536,778
		398,165	102,846	214,610
Insurance		The second secon	899,458	4,594,368
Trainings and seminars		317,389 3,007,435	6,154,848	4,316,323
Others		P71,682,857	P312,023,666	P130,347,299

Others include recruitment expense, employee association dues, and other employee expenses.

# 15. Corporate Expenses

This account consists of:

	Note	2012	2011	2010
Advertising and promotions	- STREET,	P10,360,332	P6,788,951	P12,034,229
Professional fees		5,172,122	5,110,000	9,225,730
Personnel costs	17	4,733,596	4,171,045	5,770,237
Labor relations		3,603,949		1,160,990
Transportation and travel		2,348,163	1,562,250	5,620,552
Entertainment, amusement and recreation		889,907	712,537	626,383
Office supplies		583,145	551,938	1,353,883
Printing and stationery		474,363	184,253	368,991
Communication		431,882	418,200	329,618
Directors' allowance (special project)			5. <b>4</b> 3-	6,738,000
Others		2,204,978	1,435,930	4,406,131
		P30,802,437	P20,935,104	P47,634,744

Others represent allocated utilities expense, membership dues, representation expense and other services.

# 16. Financing Costs (Income)

This account consists of:

	Note	2012	2011	2010
Interest expense on loan payable	12	P14,000,635	P13,395,680	P14,161,056
Accretion expense	23a, 24	7,083,867	6,569,477	(42,187,179)
(income) - net Bank charges	234, 24	809,812	1,172,364	181,968
Interest income		(52,171)	(162,535)	(36,178)
Marion Sylvanor		P21,842,143	P20,974,986	(P27,880,333)

Interest income and expense arise from interest-bearing financial instruments classified as loans and receivable and financial liabilities at amortized cost.

#### 17. Personnel Costs

The allocation of personnel costs is as follows:

	Note	2012	2011	2010
Cost of Sales and Services Salaries and wages Retirement benefits cost		P66,024,872	P68,998,051	P89,890,806
(income)	18	15,655,892	(534,064)	19,093,069
Other employee benefits	-	11,584,553	31,244,659	60,535,591
		93,265,317	99,708,646	169,519,466
General and Administrative Salaries and wages Retirement benefits cost		17,881,601	18,343,132	16,076,070
(income) Other employee benefits	18	3,969,818 6,793,733	(98,577) 7,038,272	2,786,527 12,427,082
	14	28,645,152	25,282,827	31,289,679
Corporate Expenses Salaries and wages Retirement benefits cost		1,673,790	1,754,450	1,396,164
(income)	18	654,922	(18,179)	1,916,541
Other employee benefits		2,404,884	2,434,774	2,457,532
	15	4,733,596	4,171,045	5,770,237
		P126,644,065	P129,162,518	P206,579,382

In 2010, the Company paid separation pay to retrenched employees amounting to P23,416,895 as part of the streamlining and cost saving measures implemented to improve its operational efficiency. This is presented above as part of "Other employee benefits" under Cost of sales and services.

#### 18. Retirement Benefits Cost

General Description of the Plan

The Company has a funded, noncontributory retirement plan covering substantially all of its regular employees with at least five years of continuous service. The benefits are based on a percentage of the employees' final monthly salary for every year of continuous service.

The latest independent actuarial valuation of the plan was as of December 31, 2011, which was prepared using the projected unit credit method in accordance with PAS 19, Employee Benefits. The plan is administered by independent trustees with assets held separately from those of the Company.

The reconciliations of the present value of the defined benefit obligation to the Retirement Liability presented in the statements of financial position are as follows:

	2012	2011
Present value of the defined benefit obligation	P145,851,743	P136,732,404
Fair value of plan assets	(5,001,245)	(7,752,530)
Net present value of the defined benefit obligation	140,850,498	128,979,874
Unrecognized actuarial gains	3,079,612	5,077,651
Recognized liability	P143,930,110	P134,057,525

Movements in the present value of defined benefit obligation follow:

7	2012	2011
Defined benefit obligation, beginning	P136,732,404	P155,038,638
Current service cost	12,500,820	11,015,614
Interest cost	8,244,964	12,139,525
Benefits paid		
Paid directly from plan assets	(7,018,397)	(47,126,990)
Advanced by the Company	(4,608,048)	20 20 0
Curtailment gain		(9,449,079)
Actuarial loss (gain) on obligation		15,114,696
Defined benefit obligation, end	P145,851,743	P136,732,404

The curtailment gain resulted from the significant reduction of the number of employees covered by the plan as part of the streamlining and cost saving measures implemented by the Company to improve its operational efficiency.

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

		2012	2011
Fair value of plan assets, beg	inning	P7,752,530	P54,919,284
Expected return		465,152	1,881,497
Contributions to the plan		5,800,000	5,000
Benefits paid		(7,018,397)	(47,126,990
Actuarial gains (losses) on pl	an assets	(1,998,040)	(1,926,261)
Fair value of plan assets, end		P5,001,245	P7,752,530
Actual return on plan assets ar	e as follows:	2011	2010

The components of retirement benefits cost (income), recognized as part of "Personnel costs" account in the statements of comprehensive income follow:

	2012	2011	2010
Current service cost	P12,500,820	P11,015,614	P10,486,677
Interest cost	8,244,964	12,139,525	17,503,336
Expected return on plan assets	(465,152)	(1,881,497)	(4,193,876)
Net actuarial gains recognized		100000000000000000000000000000000000000	
for the year		(367,486)	*
Effect of curtailment gain		(21,556,976)	
Net retirement benefit expense (income)	P20,280,632	(P650,820)	P23,796,137

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

The major categories of plan assets as a percentage of the fair value of the total plan assets are as follows:

	2012	2011	2010
Investments in bonds and other			
debt securities	55%	39%	26%
Deposits in banks	32%	27%	31%
Investments in equity securities	7%	17%	26%
Commercial loans	0%	0%	3%
Others	6%	17%	14%

The overall expected rate of return on plan assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

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

	2012	2011	2010
Discount rate	5.68%	6.03%	7.83%
Expected rate of return on plan			
assets	6.00%	3.43%	6.00%
Salary projection rate	10.00%	10.00%	10.00%

Assumptions regarding the mortality and disability rates are based on the 1960 Basic Company Mortality Table and the Disability Study, Period 2, Benefit 5 (Society of Actuaries), respectively.

The historical information for the current year and previous years is as follows:

	2012	2011	2010	2009	2008
Present value of defined benefit plan obligation Fair value of plan assets	P145,851,743 5,901,245	P136,732,404 7,752,530	P155,038,638 54,919,284	P163,735,602 53,166,192	P163,725,986 72,978,116
Net unfunded liability	P140,850,498	P128,979,874	P100,119,354	P110,629,410	P90,747,870

	2012	2011	2010	2009	2008
Experience adjustments arising on plan liabilities	P -	Р.	Р.	р.	(P12,606,554)
Experience adjustments arising on plan assets		(1,926,261)	5,152,171	846,681	(15,218,213)

#### 19. Income Taxes

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

	2012	2011	2010
Current tax expense	P20,285,507	P21,329,591	P44,699,747
Deferred tax benefit	(5,907,449)	(3,065,411)	(52,728,570)
	P14,378,058	P18,264,180	(P8,028,823)

The current income tax expense represents regular corporate income tax.

The reconciliations of the income tax expense (benefit) computed at the statutory tax rates to the actual expense shown in the statements of comprehensive income are as follows:

Income (loss) before income tax	2012 P47,564,662	2011 (As Restated - Note 9) (P81,776,016)	2010 (P16,680,721)
Income tax at corporate rate	100000000000000000000000000000000000000		
of 30%	P14,269,399	(P24,532,805)	(P5,004,216)
Additions to (reductions in)			
income tax due to the tax			
effects of:			
Nondeductible impairment		2012/02/25/2	
losses		42,845,745	
Nondeductible expense	117,854	*	12,027,886
Nondeductible interest expense	6,456	7	
Interest income already			000000000000000000000000000000000000000
subjected to final tax	(15,651)	(48,760)	(9,296)
Write-off of impairment loss	100		(15,043,197)
	P14,378,058	P18,264,180	(P8,028,823)

In relation to the taxability of PAGCOR, under RR No. 16-2005, as amended, gross receipts of franchises such as PAGCOR, regardless of how their franchises may have been granted, shall be subject to the 10% (or 12% starting January 1, 2006) VAT.

In February 2007, the Philippine Congress amended PD No. 1869, otherwise known as the PAGCOR Charter. This amendment extended the franchise term of PAGCOR for another period of 25 years. However, the said amendment did not include the revocation of PAGCOR's exemption from the payment of any form of taxes other than the 5% franchise tax imposed on the gross revenue or earnings derived by the PAGCOR from its operation under the franchise as previously provided for in PD No. 1869.

The components of the "Deferred tax liabilities - net" account of the Company are as follows:

	2012	2011
Deferred tax liabilities:		
Revaluation increment in property and		
equipment	P275,914,154	P289,852,880
Rent receivable	21,061,944	18,306,042
Unamortized premium on security deposit	10,300,112	12,425,273
	307,276,210	320,584,195
Deferred tax assets:	0.000	24.9000000000000000000000000000000000000
Rent received in advance	99,366,464	99,366,464
Unrealized foreign exchange losses	35,301,532	45,397,170
Retirement benefit plan obligation	43,179,033	40,217,258
Allowance for impairment losses	702,875	970,419
Accrued rent	726,653	244,836
Unamortized past service costs	267,376	748,322
	179,543,933	186,944,469
	P127,732,277	P133,639,726

### 20. Earnings (Loss) Per Share

Earnings (loss) per share is computed by dividing the net income (loss) for the year by the weighted average number of outstanding shares of common stock during the year.

	2012	(As Restated - Note 9)	2010
Net income (loss)	P33,186,604	(P100,040,196)	(P8,651,898)
Weighted average number of outstanding shares of common stock (net of treasury stock)	344,747,520	344,747,520	344,747,520
Earnings (loss) per share - basic/diluted	P0.10	(P0.29)	(P0.03)

The previously reported EPS was recomputed due to the effect of the stock dividends as discussed in Note 13b and the re-measurement of the consideration of the business combination in 2011 as discussed in Notes 9 and 24.

There are no dilutive potential common shares for the years ended December 31, 2012, 2011, and 2010. Accordingly, diluted EPS (LPS) is the same as basic EPS (LPS).

#### 21. Financial Risk Management

#### Risk Management Structure

#### BOD

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Company. It also has the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Company's approach to risk issues in order to make relevant decisions.

#### Risk Management Committee

Risk management committee is responsible for the comprehensive monitoring, evaluation and analysis of the Company's risks in line with the policies and limits set by the BOD.

#### Financial Risk Management Objectives and Policies

The Company's principal financial instruments consist of cash, trade and other receivables, AFS investment and loan payable. The main purpose of these financial instruments is to finance the Company's operations. The Company has various other financial instruments such as trade and other current receivables, trade and other current payables, obligations under finance lease, due from a related party, and concessionaires' and deposits which arise directly from operations.

The main risks arising from the financial instruments of the Company are credit risk, liquidity risk, market risk, interest rate risk, foreign currency risk and equity price risk. The Company's management reviews and approves policies for managing each of these risks, and these are summarized below.

#### Credit Risk

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

The Company trades only with recognized, creditworthy third parties. It is the Company'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 Company's exposure to bad debts is not significant. The Company grants advances to its affiliates after the BOD reassesses the Company's strategies for managing credits and views that they remain appropriate for the Company's circumstances.

The amounts presented in the statements of financial position are not of allowances for impairment losses on receivables, estimated by the Company's management based on prior experience and its assessment of the current economic environment.

With respect to credit risk from other financial assets of the Company, which comprise mainly of cash, amounts owed by related parties and receivables from ALB, the exposure of the Company to credit risk arises from the default of the counterparty, with maximum exposure equal to the carrying amount of these instruments.

At the reporting date, other than the trade and other receivables), there were no significant concentrations of credit risk.

Analyses of the amounts of financial assets by risk grade as of December 31 are set out below (in thousands):

	2012	2011
High grade	P575,127	P720,013
Standard grade	26,936	29,641
Substandard grade	2,343	3,235
	P604,406	P752,889

The credit grades used by the Company in evaluating the credit quality of its receivables to customers and other parties are the following:

- a. High grade and low risk receivables are neither past due nor impaired which have good collection status. This category includes credit grades 1-3. High grade receivables are those which have high probability of collection, as evidenced by counterparties having ability to satisfy their obligations and that the collaterals used to secure the receivables are readily enforceable.
- b. Standard grade and medium risk receivables are those past due but not impaired receivables and with fair collection status. This category includes credit grades 4-5. The standard grade category includes those for which collections are probable due to the reputation and the financial ability to pay of the counterparty but have been outstanding for a considerable length of time.
- c. Substandard grade and high risk grade receivables include those impaired which have continuous collection default issues. Substandard grade receivables are those where the counterparties are, most likely, not capable of honoring their financial obligations.

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

	2012	2011
Cash	P6,462	P28,257
Trade and other current receivables	2010/200961	
Guests, concessionaires and other patrons	30,721	36,007
Others ·	1,633	4,384
Due from a related party - net	572,052	689,533
	610,868	758,181
Less allowance for impairment losses	2,343	3,235
	P608,525	P754,946

	2012	2011
Cash on hand	P362,125	P359,125
Cash in banks	6,462,246	27,898,003
	P6,824,371	P28,257,128

Cash in banks earn interest based on prevailing deposit rates.

The aging analyses of the Company's financial assets (in thousands) are as follows:

		Neither Past Due		Past Da	e but not la			Past Duc
December 31, 2012	Total	Impaired	< 30 Days	30 - 60 Days	61 - 90 Days	91 - 120 Days	> 120 Days	Impaired
Trade and other current receivables: Guests, concessionairm and			11				11888	6392
other petrons	P30,721	P1,442	P9,942	P5.453	P2,007	P1,257	P8.277	P2,343
Others	1,633	1,633						
Due from a related party	A rest property and the	572,052			¥.,	2		
Total	P604,496	P575,127	P9,942	P5,453	P2,007	P1,257	PS,277	P2,343
		Neither Past Due		Past D	ue but not in	npaired	32.83	Past Due
		101	< 30	30 - 60	61 - 90	91 - 120	> 120	and
December 31, 2011	Total	Impaired	Days	Days	Days	Days	Days	Impaired
Trade and other current receivables. Guesta, concessionaires and other patrons Others	P36,007 4,384	P3,131 4,384	P14,961	P4,681	P -	P113	P9,946	P3,235
Due from a related party	689,533	689,533	***	-		-		•
					P -	P113	19,946	P3,235

Information on the Company's receivables that are impaired as of December 31, 2012 and 2011 and the movement of the allowance used to record the impairment losses is disclosed in Note 5 to the separate financial statements.

The main considerations for impairment assessment include whether any payments are overdue or if there are any known difficulties in the cash flows of the counterparties. The Company assesses impairment in two ways: individual assessment and collective assessment.

The Company determines allowance for each significant receivable on an individual basis. Among the items that the Company considers in assessing impairment is the inability to collect from the counterparty based on the contractual terms of the receivables. Receivables included in the specific assessment are the accounts that have been endorsed to the legal department, non-moving account receivables, accounts of defaulted agents and accounts from closed stations.

For collective assessment, allowances are assessed for receivables that are not individually significant and for individually significant receivables where there is no objective evidence yet of individual impairment. Impairment losses are estimated by taking into consideration the age of the receivables, past collection experience and other factors that may affect collectibility.

The total impairment losses on the financial assets recognized in the statements of comprehensive income amounted to P0.70 million, P235.96 million and P18.53 million in 2012, 2011, and 2010, respectively (see Notes 5 and 7). Of the total impairment losses, the P234.63 million in 2011, which is related to the Company's receivables from ALB, had resulted from an individual assessment of possible impairment losses. The rest of the impairment losses were determined and measured through the Company's collective assessment procedures.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due because of an inability to liquidate assets or obtain adequate funding. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of the financial assets and financial liabilities.

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

Ultimate responsibility for liquidity risk management rests with the BOD, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company manages liquidity risk by maintaining adequate reserves, continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and liabilities.

For the Company's short-term funding, the Company's policy is to ensure that there are sufficient working capital inflows to match repayments of short-term debt.

The following tables summarize the maturity profile of the Company's financial liabilities (in thousands) based on contractual undiscounted payments:

	Total		Contractual I	Undiscounted	Payments	
December 31, 2012	Carrying Amount	Total	On Demand	Less than 1 Year	1 to 5 Years	> 5 Years
Loan payable Trade and other current payables (net of	P314,129	P324,338	P324,338	P -	P .	P -
government payables) Concessionaires and	211,868	211,868	122,042	89,826	*	(*)
deposits	97,555	131,888	120		131,888	
Due from a subsidiary	699	699	699	90.00	(45.50)	_
	P624,251	P668,793	P447,079	P89,826	P131,888	P -
	Total		Contractual	Undiscounted	Payments	
	Carrying		On	Less than		
December 31, 2011	Amount	Total	Demand	l Year	1 to 5 Years	Year
Loan payable Trade and other current		Total P381,783	Company of the Compan			100000000000000000000000000000000000000
Loan payable Trade and other current payables (net of government payables)	Amount	The second second	Demand	l Year	Years	Year
Loan payable Trade and other current payables (not of government payables) Concessionaires and	Amount P367,099	P381,783	Demand P381,783	l Year	Years	Year P -
	Amount P367,099 182,601	P381,783	Demand P381,783 182,601	l Year	Years P -	Year P -

#### Market Risks

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

The Company is primarily exposed to the financial risks of changes in interest rates, foreign currency exchange rates and equity prices of its AFS investment. There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk since 2007.

#### 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 Company's exposure to interest rate risk arises primarily from its loans and borrowings.

The Company's financial instrument that is exposed to interest risk is its loan from ICBC (see Note 12). The loan bears interest at annual rate of 2% above SIBOR. The carrying amount of the loan payable, which is due and demandable, amounted to US\$7.63 million and US\$8.38 million as of December 31, 2012 and 2011, respectively. The Philippine peso equivalent of this loan converted using the conversion rate imposed by ICBC as of December 31, 2012 and 2011 amounted to P314.13 million and 367.10 million, respectively.

The Company obtains additional financing through bank borrowings. The Company's policy is to obtain the most favorable interest rates available using a mix of fixed and variable rate debts without increasing its foreign currency exposure. Surplus funds are placed with reputable banks.

Information relating to the Company's interest rate exposure is also disclosed in the notes on the Company's borrowings.

The following table illustrates the sensitivity of net income and equity for 2012, and 2011 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. This analysis assumes a 26.44% and 21.70% decrease in prevailing interest rates as of December 31, 2012 and 2011, respectively, and 37.93% and 16.30% increases as of December 31, 2012 and 2011, respectively. All other variables are held constant.

	Decrease		Incre	ase		
	-26.44% -21.70%		-26.44%		+37.93%	+16.30%
	2012	2011	2012	2011		
Net income	P1,569,561	P2,821,963	(P2,251,978)	(P2,119,848)		
Equity	1,569,561	2,821,963	(2,251,978)	(2,119,848)		

The other financial instruments of the Company are noninterest-bearing and are therefore not subject to interest rate risk.

There are no other impact on equity except those already affecting profit or loss.

Foreign Currency Risk

Foreign currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency.

As a result of the loan payable from ICBC which is denominated in US dollar, the Company's statements of financial position can be affected by movements in this currency. Aside from this, the Company does not have any material transactions denominated in foreign currency as its revenues and costs are substantially denominated in Philippine peso.

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

Information on the Company's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents as of December 31 are as follows:

	2012	
	US dollar	Philippine peso
Cash Loan payable	\$15,039 (7,630,040)	P617,791 (314,128,747)
Net foreign currency-denominated liability	\$7,615,001	(P313,510,956)
	20	11
100	US dollar	Philippine peso
Cash Loan payable	\$34,556 (8,380,000)	P1,517,470 (367,098,607)
Net foreign currency-denominated liability	\$8,345,444	(P365,581,137)

The Company recognized unrealized foreign currency exchange gain amounting to P21.80 million in and P0.27 million in 2012 and 2011, respectively, arising from the translation of these foreign currency-denominated financial instruments.

The following table demonstrates the sensitivity of the net income for the periods reported to a reasonably possible change in US dollar exchange rate based on past US dollar exchange rates and macroeconomic forecasts for 2012, with all other variables held constant, of the Company's 2012 and 2011 income after income tax. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items. This analysis assumes a 3.20% and 2.05% strengthening as of December 31, 2012 and 2011, respectively, and 2.85% and 2.04% weakening as of December 31, 2012 and 2011, respectively, of the Philippine peso against the US dollar exchange rate:

Stren	gthening	Wes	kening
+3.20% +2.05%		-2.85%	-2.04%
2012	2011	2012	2011
P7,019,230	P5,246,031	(P4,470,620)	(P5,226,571)
	+3.20% 2012	2012 2011	+3.20% +2.05% -2.85% 2012 2011 2012

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

Equity Price Risk

The Company is exposed to equity price risk because of its investment in shares of stock of WII held by the Company which is classified in the statements of financial position as AFS investment. These securities are listed in the PSE. The Company has an outstanding investment in these securities equivalent to 86,710,000 shares as of December 31, 2012 and 2011.

The Company is not exposed to commodity price risk.

The Company monitors the changes in the price of the shares of stock of WII. In managing its price risk, the Company disposes of existing or acquires additional shares based on the economic conditions.

The following table illustrates the sensitivity of the Company's equity to a reasonably possible change in equity price. These changes are considered to be reasonably possible based on past equity price performance of the Company's AFS investment and macroeconomic forecast for 2012. This analysis assumes a decrease of 14.89% for 2012 and 47.07% for 2011 and an increase of 44.68% for 2012 and 141.83% for 2011 of the equity price of the Company's AFS investment. These percentages have been determined based on average market volatility in equity prices of the related investment in the previous 12-month periods ended December 31, 2012 and 2011, respectively. All other variables are held constant:

	Decrease		Incre	ase
	-14.89%	-47.07%	44.68%	141.83%
_	2012	2011	2012	2011
Equity	(P2,711,994)	(P7,571,431)	P8,135,981	P22,812,148

Capital Risk Management

The primary objective of the Company'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. The Company's overall strategy remains unchanged since 2007.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or process in 2012 and 2011. For purposes of the Company's capital management, capital includes all the equity items presented in the statements of changes in equity.

The total liabilities to total equity ratio of the Company as of the reporting periods, which have been within the Company's acceptable range, are determined as follows:

	2012	2011
Total liabilities Total equity	P1,234,745,059 1,119,174,601	P1,334,810,231 1,225,772,297
Total equity	1.1:1	1.09:1

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

#### 22. Financial Instruments

Fair Value of Financial Assets and Liabilities

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the separate financial statements as of December 31 (in thousands):

	2012		20	2011	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values	
Financial Assets					
Loans and receivables					
Trade and other current receivables					
Guests, concessionaires and other patrons	P28,378	P28,378	P32,772	P32,772	
Others	1,633	1,633	4,384	4,384	
Due from a related party	572,052	572,052	689,533	689,533	
	602,063	602,063	726,689	726,689	
AFS		8		2772	
Quoted equity AFS investment	26,813	26,013	22,978	22,978	
	P628,076	P628,076	P749,667	P749,667	
	2012		2011		
	Carrying	Fair	Carrying	Fair	
	Amounts	Values	Amounts	Values	
Financial Liabilities Other financial liabilities					
Loan payable	P314,129	P314,129	P367,099	P367,099	
Trade and other current payables	211,868	211,868	185,391	185,391	
Concessionaires and deposits	97,555	97,555	90,471	90,471	
Due from a subsidiary	699	699	) +		
Contract payable			86,260	86,260	
	P624,251	P624,251	P729,221	P729,221	

The carrying amount of cash, trade and other current receivables, amounts owed by related parties, loan payable, and trade and other current payables approximate their fair values due to the short-term maturity of these instruments.

The fair value of obligations under finance lease with its corresponding accrued interests, approximates its carrying amount as these obligations bear interest that approximate average prevailing market interest rates as of reporting dates.

The fair values of the concessionaires and deposits approximate their carrying amount as these are carried at present values discounted using discount rates approximating average market rates as of reporting periods. Discount rates used ranged from 5.8% to 7.71% in 2012 and 2011.

#### Fair Value Hierarchy

The table below analyzes financial instruments carried at fair value by valuation levels. The different levels have been defined as follows:

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

2012	Level 1	Level 2	Level 3	Total
Financial Asset AFS investment	P26,013,000	Р-	Р.	P26,013,000
2011	Level 1	Level 2	Level 3	Total
Financial Asset AFS investment	P22,978,150	Р-	P -	P22,978,150

# 23. Significant Commitments and Contingencies

"Other noncurrent assets" account is primarily consist of rental receivables arising from straight-line method of rental recognition and advances to contractor as follow:

	Note	2012	2011
Rental receivable	230	P70,286,479	P61,020,140
Advances to contractors	23d	16,729,329	47,163,638
Other deposits and noncurrent assets	200000	11,805,481	5,907,026
		P98,741,289	P114,090,804

In addition to the agreements and commitments discussed in the other sections of the notes to the separate financial statements, discussed below are the significant commitments and agreements that the Company has entered into.

#### a. Operating Leases Commitments - Company as Lessor

The Company has entered into commercial property leases on certain commercial spaces located in the Hotel, primarily with PAGCOR. These leases are non-cancellable, for long-term, include renewal terms and are usually subject to rent escalation.

The lease agreements undergo various renewals. The latest renewal contract, known as the Omnibus Amended Lease Contract (OALC), was executed by the Company and PAGCOR on December 1, 2010.

The OALC shall cover the Main Area (7,093.05 sq. m.), Expansion Area A (2,130.36 sq. m.), Expansion Area B (3,069.92 sq. m.) and Air Handling Unit (AHU) Area (402.84 sq. m.) for a total lease area of 12,696.17 square meters. The lease period for the Main Area, Expansion Area A and AHU Area shall commence upon the signing of the lease agreement until December 16, 2016. While Expansion Area B shall commence ten (10) months after the tumover of the Expansion Area B to the lessee or the commencement of commercial gaming operations in the Expansion Area B, whichever comes carlier, and shall terminate on December 31, 2016. The OALC may be renewed at the option of the lessee under such terms and conditions as may be agreed upon by the parties.

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

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

The balances of the outstanding rentals received in advance amounted to P331.22 million in 2012 and 2011 and P318.15 million in 2010, and is presented as part of noncurrent liabilities in the statements of financial position.

Relative to the OALC, the existing refundable security deposits amounting to P131.89 million received by the Company upon the execution of the prior contracts were retained by the Company. These deposits were presented as "Concessionaires and deposits" account in the statements of financial position and were carried at its present value of P97.55 million, P90.47 million and P84.5 million as of December 31, 2012, 2011 and 2010, respectively, computed using an effective interest rate of 8% over the term of the OACL. The change in the present value and the amortization of the discount is recognized as Accretion expense (income), part of "Financing Costs (Income) - net" account in the statements of comprehensive income (see Note 16). The amortized cost of the refundable security deposits was determined by calculating the present value of the cash flows anticipated until the end of the lease term using the interest rate of 8%. As the deposit does not have an active market, the underlying interest rate was determined by reference to market interest rates of comparable financial instruments.

Future minimum rentals receivable under non-cancellable operating leases follow:

	2012	2011
Within one year	P331,606,103	P315,815,336
After one year but not more than five years	1,038,607,080	1,370,213,183
	P1,370,213,183	P1,686,028,519

In February 16, 2009, the Company assigned its future rental receivables from PAGCOR in payment of the loan of Pacific Rehouse Corporation (a stockholder of the Company's parent) and the loan of Waterfront Mactan Casino Hotel, Inc. (a fellow subsidiary of the Company) from Philippine Business Bank.

The rental income from the lease contracts, recognized in the statements of comprehensive income on a straight-line basis amounted to P265.73 million, P310.68 million and P241.32 million in 2012, 2011 and 2010, respectively. Rental receivables recognized as part of "Other noncurrent assets" account in the separate statements of financial position arising from straight-line method of rental recognition amounted to P70.21 million and P61.02 million in 2012 and 2011, respectively.

#### b. Operating Leases Commitments - Company as Lessee

The Company has entered into an operating lease with CIMAR for use of the latter's land following the cancellation of finance lease between the two parties (see Note 23c). This non-cancellable operating lease commenced on November 1, 2011 and has a term of 20 years with escalation rate of 5% per annum. Also, the contract provides for two months rent free.

Future minimum lease payments as of December 31, 2012 and 2011 for the above contract are as follows:

	2012	2011
Less than one year	P3,150,000	P3,000,000
Between one and five years	18,276,025	17,405,738
More than five years	73,508,362	77,528,649
	P94,934,387	P97,934,387

Rental expense recognized for the above lease amounted to P4.28 million and P0.82 million in 2012 and 2011, respectively (see Note 14).

#### c. Finance Lease - Company as Lessee

As disclosed in Note 9, the Company 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 (former parent company of CIMAR), the existing liability of the Company to CIMAR prior to acquisition date formed part of the net consideration.

In July 2011, the Regional Trial Court (RTC) of Manila issued an order granting the joint motion to dismiss the ejectment case filed by the Company and CIMAR, as disclosed in Note 13.

Moreover, the finance lease contract between the two parties was superseded on October 31, 2011 by a new long-term and non-cancellable operating lease (see Note 23a). Accordingly, the previously recognized finance lease asset and finance lease liability was derecognized.

#### d. Advances to Contractor

On December 8, 2010, the Company entered into a contract for the renovation of the Company's hotel guest rooms, hallways and lounges for a total contract price of P134.29 million and an estimated time of completion of ten (10) months from the signing of the contract. Under the contract, the Company paid advances to contractor, presented as part of "Other noncurrent assets" account in the separate statements of financial position. As of December 31, 2012 and 2011, advance payments to the contractor have a balance of P16.73 million and P47.16 million, respectively.

### e. Provisions and Contingencies

Tax Assessment from the BIR

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

Tax Assessment from the Treasurer of the City of Manila

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

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

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

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

On a court decision dated December 7, 2010, the appeal filed by the Company was dismissed for lack of merit. Subsequently, the Company filed a motion for reconsideration. However, and order was received dated February 28, 2011 denying the motion for reconsideration for lack of merit.

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

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

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

Other Legal Cases

Aside from a case initiated by ALB in Hong Kong against the Company and EPCIB (see Note 13) and a tax case filed by Treasurer of the City of Manila as disclosed above, the Company is a defendant in other legal cases which are still pending resolution. Management and its legal counsel believe that the outcome of these cases will not have any material effect on the Company's financial position and operating results.

In the opinion of the management of the Company and in consultation with the legal counsels, the ultimate disposition of these assessments and legal cases, as discussed above, will not have a material adverse effect on the financial position or financial performance of the Company in general. A provision amounting to P20.23 million was recognized in 2010 as part of "Impairment losses, bad debts written-off and provisions" in the "General and administrative expenses" account (see Note 14). The outstanding balance of the provision of P20.23 million as of December 31, 2012, 2011 and 2010 is presented as part of "Trade and other current payables" (see Note 10).

Disclosure of some or all the information required by PAS 37, Provisions, Contingent Liabilities, and Contingent Assets, can be expected to prejudice seriously the position of the entity in a dispute with other parties on the subject matter of the provision, contingent liability or contingent asset.

#### 24. Other Matters

MERALCO Refund

As a customer of MERALCO, the Company received a refund for some of MERALCO's previous billings under Phase IV-B of MERALCO's refund scheme. The Company opted to recover the refund through receipt of quarterly postdated checks of equal amount over 5 years, starting April 2005 up to December 2010. In 2005, the Company recognized a receivable from MERALCO at its present value amounting to P15.9 million (net of unearned interest income of P6.2 million). The receivable was discounted using an effective interest rate of 14.0%. In 2010, the remaining receivable was fully settled at P4.2 million which represents the gross or undiscounted amount of the remaining receivable.

Accretion income recognized amounted to P0.34 million in 2010 (see Note 16).

# 25. Supplementary Information Required by the Bureau of Internal Revenue

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

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

# A. Sales/Receipts/Fees

	Exempt	Special Rate	Regular/ Normal Rate	Total
Sale of goods	P -	P -	P133,428,998	P133,428,998
Sale of services			137,213,744	137,213,744
Lease of properties			256,538,783	256,538,783
	P -	P -	P527,181,525	P527,181,525

#### B. Cost of Services

	Exempt	Special Rate	Regular/ Normal Rate	Total
Direct charges - salaries, wages and benefits	Р.	P -	P78,794,677	P78,794,677
Direct charges - materials, supplies and facilities			75,755,341	75,755,341
Direct charges - depreciation			17,258,842	17,258,842
Direct charges - outside services	-		10,050,860	10,050,860
Direct charges - others	Р-	P -	26,173,961 P208,033,681	26,173,961 P208,033,681

#### C. Non-Operating and Taxable Other Income

	Exempt	Special Rate	Regular/ Normal Rate	Total
Gain on sale of operating equipment	P -	Р.	P135,000	P135,000

# D. Itemized Deductions (if Company did not avail of the Optional Standard Deduction)

	Exe	mpt		ecial Rate	Regular/ Normal Rate	Total
Communication, light and water	P		P		P62,628,587	P62,628,587
Salaries and wages		-		-	31,496,582	31,496,582
Repairs and maintenance -						0.0000000000000000000000000000000000000
materials/supplies		-		-	24,285,123	24,285,123
Taxes and licenses		-		70	15,070,398	15,070,398
Interest		-		+	13,979,115	13,979,115
Employee benefits		-		-	12,987,378	12,987,378
Retirement benefits		-		-	12,011,202	12,011,202
Realized foreign exchange loss		-		-	11,861,112	11,861,112
Security services		+).		-	11,579,825	11,579,825
Insurance				*	5,240,548	5,240,548
Professional fees		*		-	4,704,553	4,704,553
Representation and entertainmen	t				4,459,170	4,459,170
Rental		P		100	3,780,391	3,780,391
Advertising				-	2,609,496	2,609,496
Office supplies					1,896,422	1,896,422
Transportation and travel					1,862,850	1,862,850
Bad debts written-off					1,595,214	1,595,214
Directors' fees					693,235	693,235
SSS, GSIS, Philhealth, HDMF					10000	
and other contributions				Ħ.	250,375	250,375
Association dues		+		+	109,804	109,804
Miscellaneous	_8			*	28,563,107	28,563,107
	P		P		P251,664,487	P251,664,487

#### II. Based on RR No. 15-2010

#### A. Output Value Added Tax (VAT)

Output VAT declared in 2012 amounted to P26,976,407 which is related to the Company's revenues from rooms, food and beverage, telephone, guest laundry and valet, transportation, executive business center and others amounting to P224,803,390.

No output VAT was recognized by the Company on rental income from PAGCOR amounting to P251,169,261 and sales to PAGCOR amounting to P50,914,048, since these are subject to zero percent (0%) VAT rate. This is pursuant to Section 108 (B)(3) of the Tax Code of 1997 insofar as its gross income from rentals and sales to PAGCOR, a tax exempt entity by virtue of its charter, P.D. 1869. This was affirmed by the Supreme Court in CIR vs. Acesite (GR no. 147295 dated Feb. 16, 2007), confirming PAGCOR's exemption from payment of Value Added Tax (VAT) and extending such tax privilege to its contractors.

#### B. Input VAT Claimed

The reconciliation of the input VAT as of and for the year ended December 31, 2012 follows:

Input VAT	P2,920,379
Beginning of the year	
Current year's domestic purchases:	
Goods for resale/manufacture or further processing	
Capital goods subject to amortization	
Capital goods not subject to amortization	34,596,917
Services lodged under other accounts	28 /7 e
Output VAT recognized and offset for the year	(26,976,407)
Balance at the end of the year	P10,540,889

#### C. Documentary Stamp Tax

Documentary stamp tax paid by the Company in 2012 amounted to P1,266,241 relating to the issuance of new shares due to stock dividends.

#### D. Withholding Taxes

Details of withholding taxes are as follows:

Tax on compensation and benefits	P16,767,813
Creditable withholding taxes	6,366,469
Final withholding taxes	1,341,314
	P24,475,596

#### E. All Other Taxes (Local and National)

Other taxes paid during the year recognized under	
"Taxes and licenses" account under Cost of Sales and	
Operating Expenses	
Real estate taxes	P11,543,804
Documentary stamp tax	1,266,241
SEC fees	1,131,666
Annual electrical, mechanical, and structural permit fee	182,681
Annual inspection fees	80,895
Notarization of mayor's permit and renewal of CTC	13,950
Business permit fees	2,000
Others	462,335
7	P14,683,572

#### F. Tax Assessment and Tax Case

The Company has an outstanding tax assessment from the BIR for taxable year 2006. On May 18, 2011, the BIR sent a follow up letter to the Company for various verbal requests of the BIR for the submission of related schedules and documents. As of report date, the Company's management is waiting BIR action on its letter of protest and explanation dated February 23, 2012. As of December 31, 2012, the Company has no tax case filed by or against the BIR.

## ACESITE (PHILS.) HOTEL CORPORATION AND SUBSIDIARY

(A Subsidiary of Waterfront Philippines, Incorporated) (Owner and Operator of Manila Pavilion Hotel)

CONSOLIDATED FINANCIAL STATEMENTS December 31, 2012, 2011 and 2010



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#### REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders Acesite (Phils.) Hotel Corporation and Subsidiary Room 610, Manila Pavilion Hotel United Nations Avenue Ermita, Manila

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Acesite (Phils.) Hotel Corporation and Subsidiary, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



#### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Acesite (Phils.) Hotel Corporation and Subsidiary as at December 31, 2012 and 2011, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2012 in accordance with Philippine Financial Reporting Standards.

#### Emphasis of Matter

Without qualifying our opinion, we draw attention to the fact that the information of the CIMA Realty Philippines Inc., the Subsidiary, presented in the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes is only for two months ended December 31, 2011. The presentation of the consolidated financial statements starting in 2011 is the consequence of the Company's acquisition of the Subsidiary in October 2011 as discussed in Note 7 to the financial statements.

MANABAT SANAGUSTIN & CO., CPAs

TOMAS O MAHI Partner

CPA License No. 0024593

SEC Accreditation No. 1035-A, Group A, valid until September 29, 2013

Tax Identification No. 121-597-818

BIR Accreditation No. 08-001987-21-2010

Issued June 30, 2010; valid until June 29, 2013

PTR No. 3669516MC

Issued January 2, 2013 at Makati City

April 12, 2013

Makati City. Metro Manila

# ACESITE (PHILS.) HOTEL CORPORATION AND SUBSIDIARY (A Subsidiary of Waterfront Philippines, Incorporated) (Owner and Operator of Manila Pavilion Hotel) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

LEGODECK TO		December 31	
	Note	2012	(As Restated Note:
ASSETS			
Current Assets			
Cash	21	P6,824,371	P28,257,12
Trade and other current receivables - net	5, 24	30,011,233	37,155,93
Inventories	6	6,845,798	14,686,07
Due from a related party - net	11a	572,051,985	689,532,78
Prepayments and other current assets		14,208,562	4,352,54
Total Current Assets		629,941,949	773,984,477
Noncurrent Assets			
Property and equipment - net	9, 12	1,789,594,851	1,696,947,45
Available-for-sale (AFS) investment	116	26,013,000	22,978,150
Other noncurrent assets	23	99,053,788	114,403,304
Total Noncurrent Assets		1,914,661,639	1,834,328,900
		P2,544,603,588	P2,608,313,378
Current Liabilities Trade and other current payables		P213.716.466	P188 865 355
Current Liabilities Trade and other current payables Loan payable Contract payable	C ()	P213,716,466 6 314,128,747	367,098,60
Current Liabilities Trade and other current payables Loan payable  R  APR/38	C ()		367,098,60° 86,260,000
Current Liabilities Trade and other current payables Loan payable Contract payable	7	6 814,128,747	367,098,607 86,260,000 2,730,511
Current Liabilities Trade and other current payables Loan payable Contract payable Income tax payable Total Current Liabilities  Noncurrent Liabilities	7	6 3,694,962	367,098,60° 86,260,000 2,730,51
Current Liabilities Trade and other current payables Loan payable Contract payable Income tax payable Total Current Liabilities Rentals received in advance	7  23a	3,694,962 531,540,175 331,221,548	367,098,60° 86,260,000 2,730,51 644,954,473 331,221,548
Current Liabilities Trade and other current payables Loan payable Contract payable Income tax payable Total Current Liabilities Rentals received in advance Concessionaires and deposits	7 23a 23a	3,694,962 531,540,175 331,221,548 97,554,706	367,098,60° 86,260,000 2,730,51 644,954,473 331,221,540 90,470,839
Current Liabilities Trade and other current payables Loan payable Contract payable Income tax payable Total Current Liabilities Rentals received in advance Concessionaires and deposits Retirement liability	7 23a 23a 18	3,694,962 531,540,175 331,221,548 97,554,706 143,930,110	367,098,60° 86,260,000 2,730,51° 644,954,47° 331,221,548 90,470,839 134,057,529
Current Liabilities Trade and other current payables Loan payable Contract payable Income tax payable Total Current Liabilities Rentals received in advance Concessionaires and deposits Retirement liability Deferred tax liabilities - net	7 23a 23a	3,694,962 531,540,175 331,221,548 97,554,706 143,930,110 318,658,930	367,098,607 86,260,000 2,730,511 644,954,473 331,221,548 90,470,839 134,057,525 324,084,562
Current Liabilities Trade and other current payables Loan payable Contract payable Income tax payable Total Current Liabilities Rentals received in advance Concessionaires and deposits Retirement liability	7 23a 23a 18	3,694,962 531,540,175 331,221,548 97,554,706 143,930,110	367,098,607 86,260,000 2,730,511 644,954,473 331,221,548 90,470,839 134,057,525 324,084,562
Current Liabilities Trade and other current payables Loan payable Contract payable Income tax payable Total Current Liabilities Rentals received in advance Concessionaires and deposits Retirement liability Deferred tax liabilities - net	7 23a 23a 18	3,694,962 531,540,175 331,221,548 97,554,706 143,930,110 318,658,930	367,098,60° 86,260,000° 2,730,51° 644,954,47° 331,221,540° 90,470,839° 134,057,520° 324,084,560° 879,834,474°
Current Liabilities Trade and other current payables Loan payable Contract payable Income tax payable Total Current Liabilities Rentals received in advance Concessionaires and deposits Retirement liability Deferred tax liabilities - net  Total Noncurrent Liabilities  Total Liabilities  Equity	7 23a 23a 18	3,694,962 531,540,175 331,221,548 97,554,706 143,930,110 318,658,930 891,365,294 1,422,905,469	367,098,60° 86,260,000° 2,730,51° 644,954,47° 331,221,540° 90,470,839° 134,057,520° 324,084,560° 879,834,474° 1,524,788,94°
Current Liabilities Trade and other current payables Loan payable Contract payable Income tax payable Total Current Liabilities Rentals received in advance Concessionaires and deposits Retirement liability Deferred tax liabilities - net Total Noncurrent Liabilities  Total Liabilities  Equity Capital stock	23a 23a 23a 18 19	3,694,962 3,694,962 531,540,175 331,221,548 97,554,706 143,930,110 318,658,930 891,365,294 1,422,905,469 346,100,520	367,098,607 86,260,006 2,730,511 644,954,473 331,221,548 90,470,839 134,057,529 324,084,562 879,834,474 1,524,788,947
Current Liabilities Trade and other current payables Loan payable Contract payable Income tax payable Total Current Liabilities Rentals received in advance Concessionaires and deposits Retirement liability Deferred tax liabilities - net Total Noncurrent Liabilities  Total Liabilities  Equity Capital stock Revaluation surplus in property and equipment	23a 23a 23a 18 19	3,694,962 3,694,962 531,540,175 331,221,548 97,554,706 143,930,110 318,658,930 891,365,294 1,422,905,469 346,100,520 643,799,692	367,098,60° 86,260,000° 2,730,51° 644,954,47° 331,221,540° 90,470,830° 134,057,520° 324,084,560° 879,834,474° 1,524,788,94° P99,852,300° 676,323,380°
Current Liabilities Trade and other current payables Loan payable Contract payable Income tax payable Total Current Liabilities Rentals received in advance Concessionaires and deposits Retirement liability Deferred tax liabilities Total Noncurrent Liabilities  Total Liabilities  Equity Capital stock Revaluation surplus in property and equipment Unrealized valuation gain (loss) on AFS investment	23a 23a 23a 18 19	3,694,962 3,694,962 531,540,175 331,221,548 97,554,706 143,930,110 318,658,930 891,365,294 1,422,905,469 346,100,520 643,799,692 13,762,530	367,098,60° 86,260,000° 2,730,51° 644,954,47° 331,221,540° 90,470,839° 134,057,52° 324,084,56° 879,834,474° 1,524,788,94° P99,852,30° 676,323,38° 10,727,68°
Current Liabilities Trade and other current payables Loan payable Contract payable Income tax payable Total Current Liabilities Rentals received in advance Concessionaires and deposits Retirement liability Deferred tax liabilities  Total Noncurrent Liabilities  Total Liabilities  Equity Capital stock Revaluation surplus in property and equipment Unrealized valuation gain (loss) on AFS investment Retained earnings	23a 23a 23a 18 19	3,694,962 3,694,962 531,540,175 331,221,548 97,554,706 143,930,110 318,658,930 891,365,294 1,422,905,469 346,100,520 643,799,692 13,762,530 130,077,077	367,098,60° 86,260,000 2,730,51° 644,954,47° 331,221,548 90,470,839 134,057,529 324,084,562 879,834,474 1,524,788,94° P99,852,308 676,323,386 10,727,680 308,662,75°
Current Liabilities Trade and other current payables Loan payable Contract payable Income tax payable Total Current Liabilities Rentals received in advance Concessionaires and deposits Retirement liability Deferred tax liabilities  Total Noncurrent Liabilities  Total Liabilities  Equity Capital stock Revaluation surplus in property and equipment Unrealized valuation gain (loss) on AFS investment Retained earnings Treasury stock at cost	23a 23a 23a 18 19	3,694,962 3,694,962 531,540,175 331,221,548 97,554,706 143,930,110 318,658,930 891,365,294 1,422,905,469 346,100,520 643,799,692 13,762,530 130,077,077 (12,041,700)	367,098,607 86,260,000 2,730,511 644,954,473 331,221,548 90,470,839 134,057,525 324,084,562 879,834,474 1,524,788,947 P99,852,308 676,323,386 10,727,680 308,662,757 (12,041,700
Current Liabilities Trade and other current payables Loan payable Contract payable Income tax payable Total Current Liabilities Rentals received in advance Concessionaires and deposits Retirement liability Deferred tax liabilities  Total Noncurrent Liabilities  Total Liabilities  Equity Capital stock Revaluation surplus in property and equipment Unrealized valuation gain (loss) on AFS investment Retained earnings	23a 23a 23a 18 19	3,694,962 3,694,962 531,540,175 331,221,548 97,554,706 143,930,110 318,658,930 891,365,294 1,422,905,469 346,100,520 643,799,692 13,762,530 130,077,077	P188,865,355 367,098,607 86,260,000 2,730,511 644,954,473 331,221,548 90,470,839 134,057,525 324,084,562 879,834,474 1,524,788,947 P99,852,308 676,323,386 10,727,680 308,662,757 (12,041,700 1,083,524,431

The Subsidiary was acquired in October 2011.
 See Notes to the Financial Statements.



#### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Acesite (Phils.) Hotel Corporation and Subsidiary as at December 31, 2012 and 2011, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2012 in accordance with Philippine Financial Reporting Standards.

#### Emphasis of Matter

Without qualifying our opinion, we draw attention to the fact that the information of the CIMA Realty Philippines Inc., the Subsidiary, presented in the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes is only for two months ended December 31, 2011. The presentation of the consolidated financial statements starting in 2011 is the consequence of the Company's acquisition of the Subsidiary in October 2011 as discussed in Note 7 to the financial statements.

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TOMAS CMAHINAY

Partner

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Issued January 2, 2013 at Makati City

April 12, 2013

Makati City, Metro Manila

# ACESITE (PHILS.) HOTEL CORPORATION AND SUBSIDIARY (A Subsidiary of Waterfront Philippines, Incorporated) (Owner and Operator of Manila Pavilion Hotel) STATEMENTS OF COMPREHENSIVE INCOME.

	Note	2012 Consolidated	2011 Consolidated (As Restated - Note 7)	2010 Separate
REVENUES				
Rental	23a	P265,725,122	P310,675,605	P241,317,941
Rooms		134,071,506	162,823,508	191,995,455
Food and beverage		133,428,998	159,154,862	171,751,463
Transportation		1,118,150	904,801	1,028,485
Guest laundry and valet		866,234	757,213	1,075,863
Telephone		668,816	1,057,105	1,231,916
Executive business center		287,634	380,441	454,017
Others		336,405	117,749	1,023,825
		536,502,865	635,871,284	609,878,965
COSTS OF SALES AND SERVICES	6, 17			dest constraint
Food and beverage		108,302,426	139,168,255	193,425,432
Property operations and maintenance		74,912,921	24,190,546	36,482,416
Energy cost		61,682,003	56,626,688	106,272,930
Rooms		45,289,349	49,041,593	52,951,300
Depreciation on cost	9	17,258,842	12,477,890	21,519,928
Telephone		6,944,606	6,318,957	3,774,440
Transportation		1,200,879	1,459,280	1,865,362
Executive business center		508,059	567,228	548,130
Guest laundry and valet		315,982	25,689	386,918
Miscellaneous - net		2,607,852	3,209,474	4,430,455
		319,022,919	293,085,600	421,657,311
GROSS PROFIT		217,479,946	342,785,684	188,221,654
FIXED, FINANCIAL AND OTHER EXPENSES (INCOME)				
General and administrative	14, 17	68,893,951	311,207,546	130,347,299
expenses Corporate expenses	15, 17	30,802,437	20,935,104	47,634,744
Real estate taxes	27.5	11,543,804	11,543,804	11,543,793
Fire insurance		4,842,384	5,116,960	4,381,620
Advertising and business		100000000000000000000000000000000000000	of the state of th	YACHIANI
promotion		4,530,252	7,503,349	19,715,759
Financing costs (income) - net	16. 23	21,842,143	20,974,986	(27,880,333
Foreign exchange losses (gains) - net		(21,791,013)	1,411	(27,302,927
Total Cutamonda topaco (Barres) 11-		120,663,958	377,283,160	158,439,955

Forward

# ACESITE (PHILS.) HOTEL CORPORATION AND SUBSIDIARY (A Subsidiary of Waterfront Philippines, Incorporated) (Owner and Operator of Manila Pavilion Hotel) STATEMENTS OF CASH FLOWS

			Years Ende	d December 31
	Note	2012 Consolidated	2011 Consolidated (As Restated - Note 7)	2010 Separate
CASH FLOWS FROM				
OPERATING ACTIVITIES				
Income (loss) before income tax		P50,353,568	(P80,959,896)	(P16,680,721
Adjustments for:			Approximately representative	AND THE PROPERTY OF
Depreciation	9	63,721,262	58,940,310	67,982,348
Retirement expense (Income)	18	20,280,632	(650,820)	23,796,137
Interest expense on loan payable	16	14,000,635	13,395,680	14,161,056
Accretion expense (income) - net	16	7,083,867	6,569,477	(42,187,179
Impairment losses and provisions	14	703,400	235,959,935	38,761,085
Net unrealized foreign exchange				
gain		(21,803,958)	(265,882)	(27,345,006
Loss on disposal of property, plant				
and equipment	9	(135,000)	1,568,412	-
Interest income	16	(52,171)	(162,535)	(36,178
Operating income before working				- Total Annual
capital changes		134,152,235	234,394,681	58,451,542
Decrease (increase) in:				
Trade and other current receivables		6,441,298	3,453,592	(17,118,830)
Investories		7,840,280	(1,466,174)	2,232,531
Prepayments and other current				
assets		(9,856,015)	2,219,625	(4,326,233)
Increase (decrease) in:				
Trade and other current payables		24,851,111	(21,213,633)	(7,902,785)
Rentals received in advance		-	13,072,297	170,257,593
Accrued interest on obligations				
under finance lease		-	Section Page	5,835,375
Concessionaires and deposits			(647,795)	-
Cash generated from operations		163,428,909	229,812,593	207,429,193
Interest received		52,171	162,535	36,178
Contribution to retirement fund		(5,800,000)	(5,000)	-
Benefits paid		(4,608,048)	The angues Divers	11. *
Income tax paid		(19,675,910)	(36,422,310)	(3,049,277)
Net cash provided by operating				
activities		133,397,122	193,547,818	204,416,094

Forward

			Years Ended	i December 31
	Note	2012 Consolidated	2011 Consolidated (As Restated - Note 7)	2010 Separate
INCOME (LOSS) BEFORE DEPRECIATION ON REVALUATION INCREMENT AND INCOME TAX		P96,815,988	(P34,497,476)	P29,781,699
DEPRECIATION ON REVALUATION INCREMENT	9	46,462,420	46,462,420	46,462,420
INCOME (LOSS) BEFORE INCOME TAX		50,353,568	(80,959,896)	(16,680,721)
INCOME TAX EXPENSE (BENEFIT)	19	15,214,730	18,509,016	(8,028,823)
NET INCOME (LOSS)		35,138,838	(99,468,912)	(8,651,898)
OTHER COMPREHENSIVE INCOME (LOSS) Unrealized gain (loss) on AFS investment recognized for the year	116	3,034,850	16,821,740	(2,514,590)
TOTAL COMPREHENSIVE INCOME (LOSS)		P38,173,688	(P82,647,172)	(P11,166,488)
EARNINGS (LOSS) PER SHARE - BASIC AND DILUTED	20	P0.10	(P0.29)	(P0.02)

The Subsidiary was acquired in October 2011. Consequently, the information of the said Subsidiary presented in the consolidated statements of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes is only for two months ended December 31, 2011.

See Notes to the Financial Statements.

### ACESITE (PHILS.) HOTEL CORPORATION AND SUBSIDIARY (A Subsidiary of Waterfront Philippines, Incorporated)

(Owner and Operator of Manila Pavilion Hotel)

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Year Ended December 31, 2012 Revaluation Unrealized Surplus in Valuation Gain Property and (Loss) on AFS Treasury Capital Stock Equipment - Net Investment Retained Stock (Note 13) (Note 9) (Note 11b) Earnings (Note 13) Total . Balance at January 1, 2011 As previously reported P99,852,308 P676,323,386 P10,727,680 P451,481,907 (P12,041,700) P1,226,343,581 Effect of re-measurement of goodwill (142,819,150) (P142,819,150) As restated P99,852,308 P676,323,386 P10,727,680 P308,662,757 (P12,041,700) P1,083,524,431 Total Comprehensive Income for the Year Net income for the year 35,138,838 35,138,838 Other comprehensive income: Transfer of revaluation surplus absorbed through depreciation for the year - net of income tax effect (32,523,694)32,523,694 Unrealized gain on AFS investment recognized for the year 3,034,850 3,034,850 (32,523,694)3,034,850 32,523,694 3,034,850 (32,523,694) 3,034,850 67,662,532 38,173,688 Issuances Due to Stock Dividends 246,248,212 (246,248,212) Balance at December 31, 2012 P346,100,520 P643,799,692 P13,762,530 P130,077,077 (P12,041,760) P1,121,698,119

See Notes to the Financial Statements.

<sup>\*</sup>The Subsidiary was acquired in October 2011. Consequently, the information of the said Subsidiary presented in the consolidated statements of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes is only for two months ended December 31, 2011.

# ACESITE (PHILS.) HOTEL CORPORATION

(A Subsidiary of Waterfront Philippines, Incorporated)

# (Owner and Operator of Manila Pavilion Hotel)

## SEPARATE STATEMENTS OF CHANGES IN EQUITY

For the Year Ended December 31, 2011\* - (As Restated - Note 7) Unrealized Revaluation Surplus in Valuation Gain Treasury Property and (Loss) on AFS Retained Stock Capital Stock Equipment - Net Investment Total ' Earnings (Note 9) (Note 11b) (Note 13) (Note 13) (P12,041,700) P1,166,171,603 P375,607,975 (P6,094,060) P708,847,080 P99,852,308 Balance at January 1, 2011 Total Comprehensive Income for the Year (99,468,912) (99,468,912) Net loss for the year Other comprehensive income: Transfer of revaluation surplus absorbed through depreciation for the year - net 32,523,694 (32,523,694)of income tax effect Unrealized gain on AFS investment 16,821,740 16,821,740 recognized for the year 16,821,740 32,523,694 (32,523,694) 16,821,740 (82,647,172) (32,523,694) 16,821,740 (66,945,218) P308,662,757 (P12,041,700) P1,083,524,431 P676,323,386 P10,727,680 P99,852,308 Balance at December 31, 2011

The Subsidiary was acquired in October 2011.
 See Hotes to the Financial Statements.

# ACESITE (PHILS.) HOTEL CORPORATION

(A Subsidiary of Waterfront Philippines, Incorporated)
(Owner and Operator of Manila Pavilion Hotel)

#### SEPARATE STATEMENTS OF CHANGES IN EQUITY

For the Year Ended December 31, 2010\* Unrealized Revaluation Surplus in Valuation Gain Property and Treasury (Loss) on AFS Stock Capital Stock Equipment - Net Investment Retained (Note 13) Total' (Note 11b) (Note 13) (Note 9) Earnings P741,370,774 (P3,579,470) P351,736,179 (P12,041,700) P1,177,338,091 P99,852,308 Balance at January 1, 2010 Total Comprehensive Income for the Year (8,651,898) (8,651,898)Net loss for the year Other comprehensive income: Transfer of revaluation surplus absorbed through depreciation for the year - net 32,523,694 (32,523,694) of income tax effect Unrealized loss on AFS investment (2,514,590)(2,514,590)recognized for the year 32,523,694 (2,514,590)(32,523,694) (2,514,590)(32,523,694) (2,514,590)23,871,796 (11,166,488) P1,166,171,603 P99,852,308 P708,847,080 (P6,094,060) P375,607,975 (P12,041,700) Balance at December 31, 2010

The Subsidiary was acquired in October 2011.
 See Notes to the Financial Statements.

			Years Ende	ed December 31
	Note	2012 Consolidated	2011 Consolidated (As Restated - Note 7)	2010 Separate
CASH FLOWS FROM				
INVESTING ACTIVITIES		711 17 400 003	MILLO 670 676	(D112 277 730)
Increase in due from a related party Proceeds from realization of (additions to) other noncurrent	11	P117,480,803	(P110,578,826)	(P113,277,739)
assets		15,349,516	(53,959,256)	(33,316,053)
Proceeds from disposal of property and equipment		135,000		
Payment of contract payable		(86,260,000)		
Investment in a subsidiary	7	(00,200,000)	(21,565,000)	
Acquisitions of property and				
equipment	9	(156,368,661)	(10,330,948)	(442,411)
Net cash used in investing activities		(109,663,342)	(196,434,030)	(147,036,203)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest expense paid		(14,000,635)	(13,395,680)	(14,161,056)
Payment of mortgage loan	12	(31,165,902)	***	(2,259,904)
Net cash used in financing activities	S2/01/98	(45,166,537)	(13,395,680)	(16,420,960)
NET INCREASE (DECREASE)			1600	
IN CASH		(21,432,757)	(16,281,892)	40,958,931
			Charles and the second	

28,257,128

P6,824,371

44,539,020 P28,257,128 3,580,089

P44,539,020

See Notes to the Financial Statements.

CASH AT END OF YEAR

CASH AT BEGINNING OF YEAR

The Subsidiary was acquired in October 2011. Consequently, the information of the said Subsidiary presented in the consolidated statements of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes is only for two months ended December 31, 2011.

#### ACESITE (PHILS.) HOTEL CORPORATION AND SUBSIDIARY (A Subsidiary of Waterfront Philippines, Incorporated)

(Owner and Operator of Manila Pavilion Hotel)

#### NOTES TO THE FINANCIAL STATEMENTS

#### I. Reporting Entity

Acesite (Phils.) Hotel Corporation (APHC or the "Parent Company") is a 59.78%-owned subsidiary of Waterfront Philippines, Inc. (WPI) and its ultimate parent is The Wellex Group, Inc. APHC was registered with the Philippine Securities and Exchange Commission (SEC) on October 10, 1952 primarily to engage in the business of operating a hotel, or other accommodations, for the general public and to construct such facilities as may be reasonably necessary or useful in connection with the same.

The Parent Company is the owner and operator of Manila Pavilion Hotel (the "Hotel"). The Corporate life of the Parent Company has been extended up to 2052. The Parent Company's shares have been listed in the Philippine Stock Exchange (PSE) since December 5, 1986.

In October 2011, the Parent Company acquired CIMA Realty Phil., Inc. (CIMAR), referred hereinafter as the "Subsidiary," and became its wholly-owned subsidiary (see Note 7). CIMAR is engaged in the business of real estate, and is the owner of the land on which the Hotel is situated. The information of the Subsidiary presented in the statements of comprehensive income, statements of changes in equity and statements of cash flows are for the two months ended December 31, 2011 only.

The Parent Company and the Subsidiary (collectively referred to as the "Group") were incorporated in the Philippines.

Office Address

The registered office address of the Parent Company is Room 610, Manila Pavilion Hotel, United Nations Avenue, Ermita, Manila.

#### 2. Basis of Preparation

Statement of Compliance

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

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

Basis of Measurement

The financial statements are prepared on the historical cost basis except for hotel building and equipment and furniture, fixtures and equipment, which are measured at revalued amounts less accumulated depreciation and impairment losses, and AFS investment, which is measured at fair value. The measurement bases of these assets are fully described in Note 3.

#### Functional and Presentation Currency

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

#### Use of Estimates and Judgments

The preparation of consolidated financial statements in conformity 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 and disclosure of contingent assets and contingent liabilities. 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 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 discussed in Note 4 to the consolidated financial statements.

#### 3. Summary of Significant Accounting Policies

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

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

- Disclosures Transfers of Financial Assets (Amendments to PFRS 7), require
  additional disclosures about transfers of financial assets. The amendments require
  disclosure of information that enables users of financial statements to understand the
  relationship between transferred financial assets that are not derecognized in their
  entirety and the associated liabilities; and to evaluate the nature of, and risks
  associated with, the entity's continuing involvement in derecognized financial assets.
- Deferred Tax: Recovery of Underlying Assets (Amendments to PAS 12) introduces an exception to the current measurement principles of deferred tax assets and liabilities arising from investment property measured using the fair value model in accordance with PAS 40, Investment Property. The exception also applies to investment properties acquired in a business combination accounted for in accordance with PFRS 3, Business Combinations provided the acquirer subsequently measure these assets applying the fair value model. The amendments integrated the guidance of Philippine Interpretation SIC-21, Income Taxes Recovery of Revalued Non-depreciable Assets into PAS 12, Income Taxes, and as a result Philippine Interpretation SIC-21 has been withdrawn.

- Philippine Interpretations Committee Question and Answer (PIC Q&A) No. 2011-02
   *PFRS 3.2 Common Control Business Combinations* provides guidance on how
   should business combinations involving entities under common control be accounted
   for, given that these are outside the scope of PFRS 3, Business Combinations.
- PIC Q&A No. 2011-03 Accounting for Inter-company Loans provides guidance on how should an interest free or below market rate loan between group companies be accounted for in the separate/stand-alone financial statements of the lender and the borrower: (i) on the initial recognition of the loan; and (ii) during the periods to repayment.
- PIC Q&A No. 2011-05 PFRS 1.D1-D8 Fair Value or Revaluation as Deemed Cost provides guidance on how should the revaluation increment of property, plant and equipment when revalued amounts are accounted for as "deemed cost" at the date of transition to PFRS (or PFRS for SMEs) be accounted for; what are the additional disclosures required in order to comply with the relevant provisions of PAS 8 and the requirements of the Securities and Exchange Commission (SEC); whether a third statement of financial position is required in compliance with PAS 1.10(f); and how should the adjustment of the Revaluation Reserve against retained earnings affect an entity's compliance with SEC Memorandum Circular 11 Series of 2008.
- PIC Q&A No. 2011-06 PFRS 3, Business Combinations (2008), and PAS 40, Investment Property Acquisition of investment properties asset acquisition or business combination? provides guidance on how should the transaction be accounted for (as an asset acquisition or as a business combination?) if one entity acquires: (a) directly an investment property or properties, or (b) another entity that holds one or more investment properties; and what are the relevant factors that should be considered in determining whether a transaction is an asset acquisition or a business combination.

New or Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

#### To be Adopted on January 1, 2013

- Presentation of Items of Other Comprehensive Income (Amendments to PAS I). 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.

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

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

PFRS 13, Fair Value Measurement

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

PAS 19, Employee Benefits (Amended 2011)

The amended PAS 19 includes the following requirements:

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

expected return on plan assets recognized in profit or loss is calculated based on

the rate used to discount the defined benefit obligation.

Upon adoption by the Company of PAS 19 (amended 2011) on January 1, 2013, the Company's pension asset will increase due to the recognition of actuarial gains amounting to P3.08 million (see Note 18).

PAS 27, Separate Financial Statements (2011)

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

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

- Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7). These amendments include minimum disclosure requirements related to financial assets and financial liabilities that are:
  - offset in the statement of financial position; or
  - subject to enforceable master netting arrangements or similar agreements.

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

PFRS 10, Consolidated Financial Statements

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

An investor controls an investee when:

- it is exposed or has rights to variable returns from its involvement with that investee;
- it has the ability to affect those returns through its power over that investee; and
- there is a link between power and returns.
- PFRS 12, Disclosure of Interests in Other Entities

PFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate:

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

- Annual Improvements to PFRSs 2009 2011 Cycle various standards contain amendments to five standards with consequential amendments to other standards and interpretations. The amendments are effective for annual periods beginning on or after January 1, 2013. The following are the said improvements or amendments to PFRSs, none of which has a significant effect on the consolidated financial statements of the Group:
  - PFRS 1, First-time Adoption of Philippine Financial Reporting Standards -Repeated Application of PFRS 1. The amendment clarifies the applicability of PFRS I to an entity that has applied PFRSs in a previous reporting period, but whose most recent previous annual financial statements did not contain an explicit and unreserved statement of compliance with PFRSs. If such an entity presents its financial statements in accordance with PFRSs again, then it is now allowed, rather than required, to apply PFRS 1. A repeated adopter that elects not to apply PFRS 1 in the above situation has to apply PFRSs retrospectively in accordance with PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, as if it had never stopped applying PFRSs. Such an entity should also disclose the reason for electing to apply PFRSs on a continuous basis. Irrespective of whether the repeated adopter applies PFRS 1, it is required to disclose the reasons why it stopped applying PFRSs and is resuming the application of PFRSs. The IASB has also clarified that the above option is available regardless of whether PFRS 1 existed at the time the entity previously applied PFRSs. For example, the above option is available to a repeated adopter that previously applied Philippine Interpretation SIC-8, First-time Application of PASs as the Primary Basis of Accounting.
  - PFRS 1 Borrowing Cost Exemption. This is amended to clarify how the exemption should be applied for borrowing costs relating to qualifying assets for which the commencement date of capitalization is before the date of transition to PFRSs.

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

 it should not restate the borrowing cost component that was capitalized under previous GAAP; and

- o it should account for borrowing costs incurred on or after the date of transition (or an earlier date, as permitted by PAS 23 Borrowing Costs) in accordance with PAS 23. This includes those borrowing costs that have been incurred on qualifying assets already under construction at that date.
- PAS 1, Presentation of Financial Statements Comparative Information beyond
  Minimum Requirements. This is amended to clarify that only one comparative
  period which is the preceding period is required for a complete set of financial
  statements. If an entity presents additional comparative information, then that
  additional information need not be in the form of a complete set of financial
  statements. However, such information should be accompanied by related notes
  and should be in accordance with PFRSs.

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

- o other primary statements for that additional comparative period, such as a third statement of cash flows; or
- the notes related to these other primary statements.
- PAS 1 Presentation of the Opening Statement of Financial Position and Related Notes. This is amended to clarify that:
  - o the opening statement of financial position is required only if:
    - a change in accounting policy;
    - a retrospective restatement; or
    - a reclassification

has a material effect upon the information in that statement of financial position;

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

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

Consequential amendments have been made to PFRS I and PAS 34, Interim Financial Reporting.

- PAS 16, Property, Plant and Equipment Classification of Servicing Equipment.
  This is amended to clarify the accounting of spare parts, stand-by equipment and
  servicing equipment. The definition of 'property, plant and equipment' in PAS
  16 is now considered in determining whether these items should be accounted for
  under that standard. If these items do not meet the definition, then they are
  accounted for using PAS 2, Inventories.
- PAS 32, Financial Instruments Presentation Income Tax Consequences of Distributions. This is amended to clarify that PAS 12, Income Taxes applies to the accounting for income taxes relating to:
  - distributions to holders of an equity instrument, and
  - transaction costs of an equity transaction.

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

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

#### To be Adopted on January 1, 2014

- Offsetting Financial Assets and Financial Liabilities (Amendments to PAS 32). These
  amendments clarify that:
  - An entity currently has a legally enforceable right to set-off if that right is:
    - o not contingent on a future event; and
    - enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.
  - Gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that:
    - o eliminate or result in insignificant credit and liquidity risk; and
    - o process receivables and payables in a single settlement process or cycle.
- Investment Entities [Amendments to PFRS 10, PFRS 12, and PAS 27 (2011)]. These amendments provide consolidation exception for investment funds and require qualifying investment entities to recognize their investments in controlled entities, as well as investments in associates and joint ventures, in a single line item in the statement of financial position, measured at fair value through profit or loss; the only exception would be subsidiaries that are considered an extension of the investment entity's investing activities. However, the parent of an investment entity (that is not itself an investment entity) is still required to consolidate all subsidiaries. This consolidation exception is mandatory.

#### To be Adopted on January 1, 2015

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

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

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

#### Principles of Consolidation

Subsidiary

The consolidated financial statements comprise the financial statements of the Parent Company and its Subsidiary as of and for the year ended December 31, 2012 and 2011, which are incorporated and registered in the Philippines.

A Subsidiary is an entity over which the Parent Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The Subsidiary is fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date such control ceases.

The consolidated financial statements are prepared using accounting policies for like transactions and other events in circumstances. All intra-group balances and transactions, including income, expenses and dividends, are eliminated in full. Gains and losses from intra-group transactions that are recognized in assets are eliminated in full.

Accounting for Business Combination 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 considerations 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 fair value) of the identifiable assets acquired and 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 incurred in connection with business combinations were 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 or more frequently, if events or changes in circumstances indicate that its carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the

operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. An impairment loss with respect to goodwill is not reversed.

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.

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:

Room

Room revenue is recognized based on actual occupancy.

Food and Beverage

Food and beverage revenue is recognized when orders are served.

Rental

Rental 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 amounts collected or collectible based on the contract provision.

Other Operating Departments

Revenue from other operating departments, including telephone, guest laundry and valet, transportation and executive business center, is recognized upon execution of service or as contracted.

Interest

Interest income is recognized as it accrues in profit or loss, 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.

Financial Instruments

Date of Recognition

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

Initial Recognition of Financial Instruments

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

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

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

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

Determination of Fair Value

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

(a) Financial Assets or Financial Liabilities at FVPL

Financial assets and financial liabilities at FVPL include financial assets or liabilities held for trading purposes, and those designated upon initial recognition as at FVPL, and derivative instruments.

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

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

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

Financial assets and financial liabilities at FVPL are recognized in the statements of financial position at fair value. Changes in fair value on financial assets and liabilities designated at FVPL are recorded in a marked-to-market (MTM) gain/loss account in profit or loss. As of December 31, 2012, 2011 and 2010, the Group has no financial assets and financial liabilities at FVPL.

#### (b) HTM Investments

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

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

As of December 31, 2012 and 2011, the Group has no HTM investments.

#### (c) AFS Investments

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

Subsequent to initial recognition, AFS investments are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS debt instruments, are recognized in other comprehensive income and presented in the "Unrealized valuation gain (loss) on AFS investment" in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

As of December 31, 2012 and 2011, the Group has designated as AFS investment its investments in shares of stock of Wellex Industries, Incorporated (WII) (see Note 11b).

#### (d) Loans and Receivables

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

The amortization is included in the interest income in profit or loss. The losses arising from impairment of such loans and receivables are recognized in "Impairment losses" account in profit or loss.

Loans and receivables comprise cash, trade and other current receivables, due from a related party, receivables from Acesite Limited (BVI) or ALB, and refundable deposits.

Cash includes cash on hand and cash in banks.

#### (e) Other Financial Liabilities at Amortized Cost

This classification includes its interest bearing loan with Industrial Commercial Bank of China Singapore Branch (ICBC), contract payable, trade and other current payables, refundable security deposits, obligations under finance leases and related accrued interest.

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

#### Derecognition of Financial Assets and Liabilities

#### Financial Assets

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an
  obligation to pay them in full without material delay to a third party under a "passthrough" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either: (a)
  has transferred substantially all the risks and rewards of the asset; or (b) has neither
  transferred nor retained substantially all the risks and rewards of the asset, but has
  transferred control of the asset.

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

#### Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognized in profit or loss.

#### Impairment of Financial Assets

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

#### Financial Assets Carried at Amortized Cost

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

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is recognized in profit or loss. Interest income, if any, continues to be recognized based on the original effective interest rate of the asset. Receivables, together with the associated allowance accounts, are written-off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account.

If a write-off is later recovered, any amount formerly charged off is recognized in profit or loss.

#### Financial Assets Carried at Cost

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

#### AFS Investments

Impairment losses on AFS investments are recognized by reclassifying the losses accumulated in the "Unrealized valuation gain (loss) on AFS investment" in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal payment and amortization, and the current fair value, less any impairment loss recognized previously in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired AFS debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired AFS equity security is recognized in other comprehensive income.

#### Offsetting Financial Assets and Liabilities

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

#### Inventories

Inventories are stated at the lower of cost and net realizable value (NRV). Cost is determined using the weighted average method.

NRV of saleable merchandise is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. NRV of operating supplies and engineering and maintenance supplies is the estimated replacement cost.

#### Property and Equipment

#### At Revalued Amount

Hotel building and equipment, furniture, fixtures and equipment are carried at revalued amount less accumulated depreciation and impairment losses, if any. The revalued amount is the fair value at the date of revaluation less any impairment losses. Revaluation is performed periodically by an independent firm of appraisers to ensure that the carrying amount of the asset does not differ materially from that which would be determined at the reporting date. The last valuation was performed as of March 24, 2009. The net appraisal surplus resulting from the revaluation is credited to the "Revaluation surplus in property and equipment" (net of corresponding deferred income tax effects) account shown in the statements of changes in equity.

The amount of revaluation surplus absorbed through depreciation is transferred to "Retained earnings" (net of deferred income tax effect).

#### At Cost

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets which are as follows:

	Number of Years
Hotel building and equipment	15 - 50
Furniture, fixtures and equipment	3
Transportation equipment	3

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

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of those assets.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost or revalued amount and the related accumulated depreciation and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

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

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

#### Impairment of Nonfinancial Assets

The carrying amounts of the Group's property and equipment and other nonfinancial assets such as goodwill are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the impaired asset is estimated.

An impairment loss is recognized whenever the carrying amount of an asset or its cashgenerating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss, unless the asset is carried at revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset. The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. Fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset being evaluated. If an asset does not generate cash inflows that are largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized. Reversals of impairments are recognized in profit or loss, unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

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

Segment Reporting

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

The Group does not present segment information although, at present, the Group has two segments in operation (i.e., hotel operations and real estate), since the Group has practically one segment only, the hotel operations. The real estate segment, as owned by the Subsidiary, owns the land in which the hotel operation is based. Further, the Subsidiary does not transact business with any party other than the hotel operation of the Group. Operating results of the Group's only operating segment are reviewed by the BOD, the chief operating decision maker (CODM) of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Management believes that segment reporting is more appropriate for enterprises offering group of products and services or operating in different geographical areas that are subject to differing rates of profitability, opportunities for growth, future prospects and risks that are relevant in assessing the risks and returns of a diversified or multinational entities.

Provisions and Contingencies

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

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets are not recognized in the consolidated financial statements but are disclosed when the inflow of economic benefits is probable.

#### Income Taxes

Income tax recognized in profit or loss for the year comprises current and deferred tax. Current and deferred income tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income, in which case they are recognized in equity or in other comprehensive income.

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

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

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

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

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

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

Foreign Currency Transactions and Translations

Transactions in foreign currencies are translated into Philippine peso using the exchange rates prevailing at the dates of such transactions. Monetary assets and liabilities denominated in foreign currencies are translated to their Philippine peso equivalents using the rates of exchange prevailing at the reporting date.

Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Borrowing Costs

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

Retirement Benefits

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

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

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

Related Party Relationship

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

Operating Lease - Group as Lessor

Leases in which a significant portion of the risks and rewards of ownership is retained by the Group are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are carned. Rental income is recognized in profit or loss on a straight-line basis over the term of the lease.

Finance Lease - Parent Company as Lessee

Leases in which all the risks and rewards incidental to ownership is substantially transferred to the lessee is classified as finance lease. At the commencement of the lease term, the Parent Company shall recognize finance leases as assets and liabilities in its statements of financial position at amount equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, if not, the lessee's incremental borrowing rate. Any initial direct costs of the lease are added to the amount recognized as an asset.

Prior to 2011, the Parent Company has a lease agreement for the land as a lessec. The Company has determined that it has substantially acquired all the risks and benefits incidental to ownership of the land. Prior to the termination of the agreement in 2011, the Parent Company accounted for this as a finance lease.

Capital Stock

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

Preferred share capital is classified as equity if it is redeemable on a specific date or at the option of the shareholders, or if the dividend payments are not discretionary. Dividends thereon are recognized as interest expense in profit or loss as accrued.

Treasury Stock

The Group's shares which are reacquired and held by the Group are deducted from equity and accounted for at weighted average cost. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from retained earnings.

Earnings (Loss) Per Share

Basic 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 and stock splits 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.

Events After the Reporting Date

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

#### 4. Accounting Estimates and Judgments

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

#### Judgments

Determining Functional Currency

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

Operating Lease - Group as Lessor

The Group has entered into commercial property leases on the commercial spaces located in the Hotel. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these commercial spaces and accounts for the contracts as operating leases.

Finance Lease - Parent Company as the Lessee

Prior to the termination of the finance lease agreement in 2011, it is the Parent Company's judgment, based on an evaluation of the terms and conditions of the arrangements, that it has substantially acquired all the significant risks and rewards incidental to ownership of the land. Accordingly, the Parent Company accounted for this as a finance lease and capitalized the cost of the land and recognized the related finance lease obligation prior to 2011 (see Note 23b). The land subject to the finance lease agreement had been the subject of the ejectment case filed by the lessor.

As disclosed in Note 23b, as part of the global settlement of all cases and controversies, the finance lease was superseded by an operating lease following acquisition by the Company of CIMAR.

Receivables from Acesite Limited (BVI)

Prior to 2011, the Parent Company had receivables from Acesite Limited (BVI) or ALB with carrying value of P650.0 million and P717.4 million in 2010, respectively, which have been the subject of collection efforts by the management following a legal dispute raised by ALB regarding the change in the ownership of the Company in 2003.

As disclosed in Note 8, the balance of the receivables, after a write-off of P234.92 million, were realized through the acquisition by the Company of CIMAR.

Tax Assessments and Legal Claims

The Group has outstanding tax assessments for alleged deficiency taxes and is also a defendant in various legal cases which are still pending resolution. The Group's management and its legal counsel have made a judgment that the position of the Group on these matters is sustainable and, accordingly, have made a judgment that the Group does not have a present obligation (legal or constructive) with respect to such assessments and claims. However, for prudent financial reporting, the Group recognized a provision amounting to P20.23 million (see Note 23d).

Transactions with Philippine Amusement and Gaming Corporation (PAGCOR)

The Group has significant transactions with PAGCOR. Under Presidential Decree (PD) No. 1869, otherwise known as the PAGCOR Charter, PAGCOR is exempted from payment of any form of taxes other than the 5% franchise tax imposed on the gross revenue or earnings derived by PAGCOR from its operations under the franchise. The amended Revenue Regulations (RR) No. 16-2005 which became effective in 2006, however, provides that gross receipts of PAGCOR shall be subject to the 12% value added tax (VAT). In February 2007, the Philippine Congress amended PD No. 1869 to extend the franchise term of PAGCOR for another 25 years but did not include any revocation of PAGCOR's tax exemption privileges as previously provided for in PD No. 1869. In accounting for the Group's transactions with PAGCOR, the Group's management and its legal counsel have made a judgment that the amended PD No. 1869 prevails over the amended RR No. 16-2005 (see Note 23d).

#### Estimates

Impairment of Assets

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

Allowances for Impairment Losses on Receivables

The Group maintains an allowance for impairment losses on receivables, including its receivables from ALB and advances to related parties, at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the Group on the basis of factors that affect the collectibility of the related accounts. These factors include, but are not limited to, the length of the Group's relationship with its customers or debtor, their payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates.

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

Allowance for impairment losses on receivables as of December 31, 2012 and 2011 amounted to P2.34 million and P3.23 million, respectively (see Notes 5 and 8). Also, in 2011, the Company wrote off portion of its receivables from ALB amounting to P92.13 million (see Note 8).

AFS investments

The Group classifies certain assets as AFS investments and recognizes movements in their fair value in equity. When the fair value declines, the management makes assumptions about the decline in value to determine whether it is an impairment that should be recognized in profit or loss.

As of the reporting date, based on the assessment of the Group, there is no indication of impairment of assets. The carrying value of AFS financial assets as of December 31, 2012 and 2011 amounted to P26.01 million and P22.98 million, respectively (see Note 11b).

Useful Lives of Property and Equipment

The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed at each reporting date and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment is based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above.

Appraisal Value of Certain Property and Equipment

The fair value of the Group's property and equipment carried at revalued amounts are determined from market-based evidence by appraisal that was undertaken by an independent firm of appraisers in calculating such amounts. While management believes that the assumptions and market-based evidences used are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the valuation of the Group's property and equipment. However, management believes that the carrying amount of property and equipment as of December 31, 2012 and 2011 does not differ materially from that which would be determined using fair value at reporting date.

As of December 31, 2012 and 2011, the aggregate carrying amount of property and equipment amounted to P1.79 billion and P1.70 billion, respectively (see Note 9).

Impairment of Property and Equipment

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

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

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

As of the reporting date, based on the assessment of the Group, there is no indication of impairment of the property and equipment.

Retirement Liability and Expenses

The determination of the Group's retirement liability and expense is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. In accordance with PAS 19, actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expenses and recorded liability in such future periods. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement cost and retirement liability.

The expected rate of return on plan assets of 6% was based on the average historical premium of the fund assets. The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of reporting dates. Refer to Note 18 for the details of the assumption used in the calculation.

As of December 31, 2012 and 2011, the retirement liability amounted to P143.93 million and P134.06 million, respectively. The retirement benefits income in 2011 amounted to P0.65 million, and the retirement benefits cost in 2012 and 2010 amounted to P20.28 million and P23.90 million, respectively (see Note 18).

#### Deferred Tax Assets

The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The Group recognized deferred tax assets amounting to P178.82 million and P186.70 million as of December 31, 2012 and 2011, respectively (see Note 19).

#### Legal Contingencies

The Group is currently involved in various legal proceedings, including a tax case and tax assessment. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on its financial position after recognizing provision amounting to P20.23 million. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

#### 5. Trade and Other Current Receivables

This account consists of:

	2012	2011
Guests, concessionaires and other patrons	P30,721,129	P36,007,109
Others	1,633,020	4,383,552
92 5440 W 53 W 54	32,354,149	40,390,661
Less allowance for impairment losses	2,342,916	3,234,730
	P30,011,233	P37,155,931

Receivables from guests, concessionaires and other patrons are noninterest-bearing and are generally on 30-day terms.

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

	Note	2012	2011
Beginning balance		P3,234,730	P2,219,375
Impairment losses	14	703,400	1,015,355
Write-off against allowance		(1,595,214)	
Ending balance		P2,342,916	P3,234,730

#### 6. Inventories

This account consists of:

	2012	2011
Operating supplies	P3,027,175	P9,830,583
Saleable merchandise	2,985,505	3,816,502
Engineering and maintenance supplies	833,118	1,038,993
	P6,845,798	P14,686,078

The Group's inventories are carried at cost, which is lower than their net realizable value, as of December 31, 2012 and 2011.

#### 7. Business Combination

In July 2011, the Parent Company and CIMAR executed a Memorandum of Agreement (MOA), which effectively settled all pending cases and controversies between the two parties (see Note 23b). In fulfillment of all the terms and conditions of the MOA, CIMAR's stockholders including all their nominees, agree to assign, sell, transfer and convey all existing shares of stock of CIMAR to the Parent Company. Accordingly, in October 2011, CIMAR's stockholders executed deeds of sale, transfer and assignment of shares representing 100% interest over CIMAR in favor of the Parent Company. In consideration, the Company paid US\$2.5 million in a series of terms payments [US\$500 thousand (P21.6 million) in 2011 and US\$2 million (P86.3 million) in 2012] plus the carrying value of the Company's receivables from Acesite Limited BVI (ALB) (see Note 8), net of Parent Company's liability to CIMAR (see Note 23b), as of acquisition date. The acquisition resulted to the recognition of goodwill amounting to P142.8 million.

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

Assets	
Investment in equity securities	P312,500
Investment property	650,000,000
Liabilities	
Accrued expenses and other current liabilities	(350,000
Deferred tax liability	(190,200,000
Total Identifiable Net Assets at Fair Value	P459,762,500

Measurement Period Adjustments

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

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

	As Previously Reported	Net Adjustments	As Restated
Consolidated Statement of Financial Position			
Goodwill	P142,819,150	(P142,819,150)	P -
Retained earnings	451,481,907	(142,819,150)	308,662,757
Consolidated statement of Comprehensive Income			
Net income (loss)	43,350,238	(142,819,150)	(99,468,912)

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

30 SON	Note	
Total consideration transferred:		
Cash		P21,565,000
Contract payable		86,260,000
Net carrying value of receivable from ALB	8	351,937,500
		P459,762,500

#### Receivables from Acesite Limited (BVI)

As disclosed in Note 7, the Parent Company acquired 100% interest of CIMAR, a former subsidiary of Acesite Limited (BVI) or ALB, in October 2011. Part of the acquisition cost is the net carrying value of the receivables from ALB.

Prior to the acquisition of CIMAR, management and the BOD estimated the maximum recoverable amount of the receivables, upon consultations with the legal counsels on the status of the discussions with ALB for an impending amicable settlement. Accordingly, in 2011, the Parent Company's BOD approved a write-off of portion of the receivables amounting to P92.1 million (see Note 14).

The breakdown of the non-interest bearing receivables prior to the settlement follows:

	2010 Separate
Receivable from sale of investment in Listar Properties Limited (LPL) Working capital advances	P327,587,500 322,412,500
	P650,000,000

As disclosed in Note 23b, in July 2011, the Regional Trial Court (RTC) of Manila issued an order granting the joint motion to dismiss the ejectment case filed by CIMAR against the Parent Company.

#### 9. Property and Equipment .

The balances and movements in this account are as follows:

12		-3	For the Year Ends	d Documber 21, 2	912 (Consultated)		0400000
Measurement Basis.	Land At Cost	Heed Building and Equipment Research	Parmiture, Finances and Equipment Accepted	Operating Equipment At Cast	Transportation Equipment At Conf	Countraction in Program At Carl	Total
Gross carrying amount	e de consta			Assessed to		- nonegine	Salarah Sala
Beginning belance	P459,000,000	P2.961,368,017	P236,189,527	P159,967,116	P140,990	00.000	P4,007,604,720
Additions	+	22,715,161	1,343,879	8,929,197		123,476,424	154,368,661
Disposals/setroments		(90,097,035)	(101,440,499)	(24,187)	(140,000)	50 to 50 m	(291,521,845)
Ending belance	650,004,000	2,883,636,199	35,772,107	168,872,296	-	(33,479,434	3,872,851,534
Accemulated depreciation:	10.50	*					
Beginning belance	-	1,204,177,058	254,962,127	151,358,663	140,890	20	1,510,687,368
Depreciation for the year	( )	35,469,336	513,396	7,798,318		300	63,721,262
Dispusala/entrements		(94,097,035)	(201,669,627)	(24,197)	[246,990)	900	(291,921,345)
Ending belower		1,889,509,207	23,215,624	159,132,304	4	*	1,082,454,486
Carrying amounts	-					103533411	
Seginning balance	P450,000,000	P1,697,111,619	F1,327,400	P\$.609,033			P1,696,947,652
Ending belonce	P450,001,000	P1,894,474,842	P1,957,683	19,739,902	7 *	P123,478,424	P1,789,594,851

		- 1	For the Year Ends	d December 31, 20	(Consolidated)	37	
	Land	Host Belding and Equipment	Furnitare, Fixtures and E-preparet	Operating Represent	Transportation Equipment	Contraction in Progress	
Henryween Sucre	Al-Cas	Revalues	Resolved	At Cast	At Cont.	At Com	Total
Gross carrying amount: Beginning Indexes Additions Disposals	610,000,000	P2,960,745,766 562,312	P235,335,217 \$54,310	P151,052,850 8,914,266	P140,000	P1,348,412 (1,348,412)	P1,348,843,884 660,330,948 {1,368,412}
Ending balance	630,000,000	2,961,308,077	236,189,127	159,967,114	\$46,000	55.5	4,007,604,725
Accumulated depreciation:							
Registring believes	-	1,866,219,749	234,234,159	151,052,850	140,000	40	1,251,716,958
Depreciation for the year	+	57,917,309	727,768	385,233	70 E F R	4	58,940,310
Ending belance	+.	1,934,897,058	214,962,127	151,358,083	140,000	*	2,710,657,368
Carrying second: Registring balance	P -	P1,094,455,956	P1,100,618	7.		P1,568,412	P1,097,125,226
Ending balance	P650,000,000	P1,037,111,019	P1,227,400	P4,699,013			21,696,942,452
			7.111.071.11				

As discussed in Note 12, the hotel building and equipment and furniture, fixtures and equipment with a total carrying amount of P1.14 billion and P1.04 billion as of December 31, 2012 and 2011, respectively, are used as collateral for the Group's loan with ICBC.

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

In 2009, revaluation surplus in property and equipment amounted to P187.28 million as a result of the revaluation made in the same year. The accumulated balance of revaluation increment absorbed through depreciation and transferred directly to retained earnings, net of deferred income tax, amounted to P929 million and P976 billion as of December 31, 2012 and 2011, respectively. The revaluation increment absorbed through depreciation and transferred directly to retained earnings, net of deferred income tax liabilities, amounted to P32.52 million in 2012 and 2011.

Had the following classes of property and equipment been carried at cost less accumulated depreciation and impairment losses, their carrying amounts would have been as follows:

	2012	2011
Hotel building and equipment	P397,634,193	P374,909,032
Furniture, fixtures and equipment	241,058,021	239,814,042
	638,692,214	614,723,074
Less accumulated depreciation	552,021,434	542,560,920
	P86,670,780	P72,162,154

Depreciation on cost and on appraisal increase charged to operations amounted to P17.26 million and P46.46 million, respectively, in 2012; P12.48 million and P46.46 million, respectively, in 2011; and P21.52 million and P46.46 million, respectively, in 2010.

## 10. Trade and Other Current Payables

This account consists of:

2012	2011
P170,294,568	P133,448,238
16,271,098	18,283,310
9,988,941	9,314,525
2,078,677	2,291,276
108,586	148,641
1,569,423	3,123,050
2,254,632	3,940,332
2,016,373	2,790,298
1,092,419	2,594,976
1,915,209	2,563,977
1,079,087	558,548
868,616	469,437
4,178,837	9,338,747
P213,716,466	P188,865,355
	P170,294,568  16,271,098 9,988,941 2,078,677 108,586 1,569,423 2,254,632 2,016,373 1,092,419 1,915,209 1,079,087 868,616 4,178,837

Trade payables are non-interest bearing and are normally on 30-day terms. Other payables include commissions, sponsorships, and unclaimed benefits.

#### 11. Related Party Transactions

The Group's related party transactions include transactions with WPI (the Group's parent), and its key management personnel. In the normal course of business, the Group transacts with these related parties, which are defined in PAS 24, Related Party Disclosures. These transactions consist of:

				Outstanding Balance	
Category/Transaction	Year	Note	Amount of the Transaction	Due from a Related Party	Terms
Group's Parent					
Short-term advances	2012 2011	ā	P191,064,446 264,617,001	P572,051,985 689,532,788	Unsecured, non- interest bearing, and payable on demand
Key Management Personnel					
<ul> <li>Short-term employee benefits</li> </ul>	2912		9,051,837		
	2011		8,624,654		
	2010		8,213,984	-	-
<ul> <li>Post employment benefits</li> </ul>	2012		642,143		
	2011		632,846	946	
	2010	((	602,541	4	
TOTAL	2012		25 (04)(5)	P572,051,985	2000
TOTAL -	2011	-		P689,532,788	

- a. The receivables from the Group's parent pertain to various noninterest-bearing, short-term advances by the Parent Company for and on behalf of WPI. These advances are due and collectible on demand and are expected to be repaid within the next twelve months. The transactions with WPI also include its allocated share in the common operating expenses.
- b. In July and August 2005, the BOD approved the conversion of the Company's net receivables from related parties into 86,710,000 shares of stock of WII, an affiliate, the shares of which are listed in the PSE. The carrying amount of the net receivables at the time of conversion was P43.3 million. The conversion resulted in a loss on exchange of assets of P31.1 million for the Company. In accordance with PAS 39, Financial Instruments: Recognition and Measurement, the Company classified the investment in WII's shares of stocks as AFS investment. The fair market values of AFS investment based on its closing market prices as of December 31, 2012 and 2011 are P26.01 million and P22.98 million, respectively, resulting in a valuation gain of P3.03 million and P16.82 million in 2012 and 2011, respectively.
- c. In February 16, 2009, the Parent Company assigned its future rental receivables from PAGCOR, arising from the latter's lease commitments to the Parent Company as disclosed in Note 23, in payment of the loan of Pacific Rehouse Corporation (a stockholder of WPI) and the loan of Waterfront Mactan Casino Hotel, Inc. (a fellow subsidiary of the Parent Company) from Philippine Business Bank.

#### 12. Loan Payable

This represents the balance of a 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 was restructured in 2000 and bears interest at prime rate plus 5% spread. The loan is guaranteed by a first legal mortgage over the parcel of land owned by CIMAR where the Hotel is situated, the Hotel building and equipment, and the furniture, fixtures and all other items thereon which belong to the Company. The loan is covered by corporate guarantees from Sino-I and CIM Co. Ltd., Hong Kong (former owner of CIMAR) and a personal guarantee from Mr. Yu Phun Hoi, Chairman of Sino-I.

On June 3, 2003, an Amendment Agreement was signed by the parties to amend the .

Existing Facility Agreement. As amended, the balance of the loan amounting to US\$14,256,987 shall bear annual interest rate at 2% above Singapore Interbank Offer Rate (SIBOR) and shall be payable in semi-annual installments up to April 30, 2006.

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

On July 9, 2004, ICBC communicated to the Company that they are not agreeable to any further extension of time for the new management to review the Amendment Agreement and the suspension of loan installment payment. ICBC also demanded to effect payment of the overdue loan installment plus interest and legal fees amounting to US\$1.7 million as of June 30, 2004 within the next five days. Only upon receipt of the said payment within the next five days that ICBC will be prepared to discuss the arrangement with the Company on a strictly without prejudice basis; if payment is not received by then, ICBC will declare an event of default and proceed to recover the outstanding balance from the Company under the Amendment Agreement without any further reference. On July 12, 2004, the Company paid interests and legal fees totaling US\$164,043, which the ICBC accepted.

On July 19, 2004, representatives of the Company and ICBC formally met where the Company requested for the reconsideration of the five-day deadline and to allow the Company a reprieve in paying the loan installment payment due for the period, or any balance thereof, which the Company suggested to be placed at the end of the term of the Amendment Agreement. However, the scheduled loan installment due in October 2004 shall resume and the succeeding installment payments thereafter. The Company also offered to pay 10% of the loan installment (US\$150,000) due for the period and committed to update all interest payments. On July 23, 2004, the Company paid the 10% of the loan installment of US\$150,000, which ICBC accepted. The Company paid US\$750,000 in 2006 and US\$ 50,000 in 2010. In 2012, the Company made a partial loan payment amounting to US\$749,980 or P31.31 million. However, there were no principal payments made in 2009 and 2008.

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

#### 13. Equity

#### a. Capital Stock

#### Common Shares

Common shares of the Company totaling 74,889,231 shares (representing 75% of the total outstanding stock of the Company) were previously held by ALB and were pledged by ALB in favor of EPCIB for the latter's loans to an affiliate of ALB.

On February 17, 2003, EPCIB foreclosed the said shares and sold them to WPI as a block sale in the PSE. ALB contested the foreclosure, and on February 20, 2003, filed a case for the annulment of the sale, with application for issuance of a writ of preliminary injunction and a prayer for a temporary restraining order with the Regional Trial Court (RTC) of Makati City. On August 15, 2003, the RTC of Makati City granted ALB request for preliminary injunction upon posting of the necessary injunction bond.

On June 3, 2004, for failure of ALB to post the full amount of the injunction bond, the RTC of Makati City ordered the stock transfer agent of the Company to transfer the 74,889,231 shares to EPCIB and, in accordance with the Deed of Assignment of Shares of Stock dated February 17, 2003, the shares were transferred to WPI. Subsequently, ALB filed a motion for reconsideration of the order dissolving the writ of injunction issued by the RTC of Makati City.

On June 24, 2004, at the annual stockholders' meeting of the Company pursuant to the order of the SEC, WPI, as the registered majority stockholder of record, elected new directors to serve as such until the next annual stockholders' meeting. On July 2, 2004, a certain stockholder filed at the RTC of Manila a motion for intervention for the annulment of both the June 24, 2004 stockholders' meeting and the election of the new directors. On August 16, 2004, the RTC of Manila dismissed the case on the intervention filed by the stockholder.

On August 10, 2004, the Court of Appeals (CA) gave due course to EPCIB's petition and set aside the questioned Orders on ALB request for preliminary injunction bond. On the same date, ALB filed a Motion for Reconsideration which the CA denied on November 24, 2004.

On December 22, 2004, ALB questioned the said Resolutions of the CA by filing a Petition for Review on Certiorari at the Supreme Court (SC). On January 19, 2005, the SC denied the Petition for Review on Certiorari on the decision and resolution of the CA dated August 10, 2004 and November 24, 2004, respectively, for failure of ALB to state the material date showing when notice of judgment thereof was received. On March 1, 2005, ALB filed a motion for reconsideration of the said denial by the SC. The petition for reconsideration filed by ALB has been denied with finality by the SC on March 14, 2005.

In March 2006, ALB commenced proceedings in Hong Kong against EPCIB and WPI to pursue its claim which currently remains to be ongoing.

In view of the MOA signed in July 2011 as disclosed in Note 23b, ALB forever renounces its claim against WPI and EPCIB.

The movements in the number of authorized and issued and outstanding common stock are as follows:

19 19 19	Note	2012	2011
Authorized : Balance at beginning of year Increase in authorized capital stock	13b	300,000,000	300,000,000
		1,200,000,000	300,000,000
Issued and outstanding: Balance at beginning of year Stock dividends	136	99,852,308 246,248,212	99,852,308
Diversity and the second		346,100,520	99,852,308

Common shares have a par value of P1 per share.

As of December 31, 2012, the Company has 152,688,617 shares held by the public or 44% of the total outstanding capital stock.

Preferred Shares

The Group's authorized and unissued preferred shares as of December 31, 2012, 2011 and 2010 amounted to P10 million, consisting of 20,000 shares with a par value of P500 per share.

The Gorups's preferred shares have the following attributes:

- a. Non-voting:
- b. non-convertible to common shares;
- c. redeemable at a premium of 5%; and
- d. entitled to cumulative dividends of 9% per annum.

Treasury Shares

On November 13, 2007, the BOD approved the creation of a share buyback program involving the Company's common stock. As of December 31, 2012, 2011 and 2010, the Company's outstanding treasury stock totaled to 1,353,000 shares with a total cost of P12.04 million.

b. Increase in Authorized Capital Stock, Stock Dividend, and Stock Rights

On August 1, 2008, subject to the approval of the stockholders holding two-thirds of the outstanding capital stock of the Group and of the SEC, the BOD approved the increase of the Group's authorized capital stock to P2.1 billion from P310 million in 2007 and the declaration of a 300% stock dividend. The BOD also approved a P150-million stock rights offering to fund a complete facelift of the Hotel. By this stock rights offering, eligible shareholders can buy 0.38 common shares for every one share held. The record date and the payment date shall be fixed and approved by the SEC after the increase in authorized capital stock have been approved.

On June 11, 2009, the BOD resolved that in order to comply with the SEC guidelines on the declaration of dividends with respect to increase of authorized capital stock and declaration of stock dividends, the foregoing planned increase in authorized capital stock will be done in two (2) tranches: first, to increase the authorized capital stock to P1.21 billion from P310 million and to declare a 250% stock dividend to be taken out from the said increase; and second, to further increase the authorized capital stock from P1.21 billion to P2.01 billion and undertake a stock rights offering by which 25% of the P800 million additional increase will be offered for subscription.

On May 25, 2012, the application for the increase in the Company's authorized capital stock from P310 million to P1.21 billion was approved by SEC. Accordingly, the Group distributed the 250% stock dividends or 246,248,212 shares on July 19, 2012 for stockholders of record as of June 25, 2012.

## 14. General and Administrative Expenses

This account consists of:

	Note	2012 Consolidated	2011 Consolidated (As Restated - Note 24)	2010 Separate
Personnel costs	17	P28,645,152	P25,282,827	P31,289,679
Security services		11,579,825	11,652,803	10,234,363
Medical expense		4,766,180	4,959,993	5,181,554
Taxes and licenses		4,373,403	7,253,662	3,605,216
Representation expense		4,232,983	7,230,397	22,428,605
System support		3,361,983	3,368,301	3,321,427
Reservation		2,679,592	3,408,479	3,345,506
Printing and stationery		2,187,745	1,282,242	899,293
Professional fees		2,182,452	3,070,250	1,618,492
Impairment losses, bad debts			5000000000	20 751 005
write-off and provisions	5, 8, 23d	703,400	235,959,935	38,761,085
Communications		458,247	581,505	536,778
Insurance		398,165	102,846	214,610
Trainings and seminars		317,389	899,458	4,594,368
Others		3,007,435	6,154,848	4,316,323
		P68,893,951	P311,207,546	P130,347,299

Others include recruitment expense, employee association dues, and other employee expenses.

## 15. Corporate Expenses

This account consists of:

×	Note	2012 Consolidated	2011 Consolidated	2010 Separate
Advertising and promotions		P10,360,332	P6,788,951	P12,034,229
Professional fees		5,172,122	5,110,000	9,225,730
Personnel costs	17	4,733,596	4,171,045	5,770,237
Labor relations		3,603,949	•	1,160,990
Transportation and travel		2,348,163	1,562,250	5,620,552
Entertainment, amusement and recreation		889,907	712,537	626,383
Office supplies		583,145	551,938	1,353,883
Printing and stationery		474,363	184,253	368,991
Communication		431,882	418,200	329,618
Directors' allowance (special project)				6,738,000
Taxes and licenses				1,205
Others		2,204,978	1,435,930	4,404,926
		P30,802,437	P20,935,104	P47,634,744

Others represent allocated utilities expense, membership dues, representation expense and other services.

# 16. Financing Costs (Income)

This account consists of:

Note	2012 Consolidated	2011 Consolidated	2010 Separate
12	P14,000,635	P13,395,680	P14,161,056
23a, 24	7,083,867	6,569,477	(42,187,179)
10	809,812	1,172,364	181,968
	(52,171)	(162,535)	(36,178)
	P21,842,143	P20,974,986	(P27,880,333)
	12	Note Consolidated  12 P14,000,635  23a, 24 7,083,867 809,812 (52,171)	Note Consolidated Consolidated  12 P14,000,635 P13,395,680  23a, 24 7,083,867 6,569,477 809,812 1,172,364 (52,171) (162,535)

Interest income and expense arise from interest-bearing financial instruments classified as loans and receivable and financial liabilities at amortized cost.

#### 17. Personnel Costs

The allocation of personnel costs is as follows:

	Note	2012 Consolidated	2011 Consolidated	2010 Separate
Cost of sales and services: Salaries and wages Retirement benefits cost		P66,024,872	P68,998,051	P89,890,806
(income) Other employee benefits	18	15,655,892 11,584,553	(534,064) 31,244,659	19,093,069 60,535,591
		93,265,317	99,708,646	169,519,466
General and administrative: Salaries and wages Retirement benefits cost	1000	17,881,601	18,343,132	16,076,070
(income) Other employee benefits	18	3,969,818 6,793,733	(98,577) 7,038,272	2,786,527 12,427,082
	14	28,645,152	25,282,827	31,289,679
Corporate expenses: Salaries and wages Retirement benefits cost		1,673,790	1,754,450	1,396,164
(income)	18	654,922	(18,179)	1,916,541
Other employee benefits	15	2,404,884 4,733,596	2,434,774 4,171,045	2,457,532 5,770,237
		P126,644,065	P129,162,518	P206,579,382

In 2010, the Group paid separation pay to retreached employees amounting to P23,416,895 as part of the streamlining and cost saving measures implemented to improve its operational efficiency. This is presented above as part of "Other employee benefits" under Cost of sales and services.

#### 18. Retirement Benefits Cost

General Description of the Plan

The Group has a funded, noncontributory retirement plan covering substantially all of its regular employees with at least five years of continuous service. The benefits are based on a percentage of the employees' final monthly salary for every year of continuous service.

The latest independent actuarial valuation of the plan was as of December 31, 2011, which was prepared using the projected unit credit method in accordance with PAS 19, Employee Benefits. The plan is administered by independent trustees with assets held consolidated from those of the Group.

The reconciliations of the present value of the defined benefit obligation to the Retirement Liability presented in the statements of financial position are as follows:

	2012	2011
Present value of the defined benefit obligation	P145,851,743	P136,732,404
Fair value of plan assets	(5,001,245)	(7,752,530)
Net present value of the defined benefit obligation	140,850,498	128,979,874
Unrecognized actuarial gains	3,079,612	5,077,651
Recognized liability	P143,930,110	P134,057,525

Movements in the present value of defined benefit obligation follow:

2012	2011
P136,732,404	P155,038,638
12,500,820	11,015,614
8,244,964	12,139,525
(7,018,397)	(47,126,990)
(4,608,048)	
-	(9,449,079)
	15,114,696
P145,851,743	P136,732,404
	P136,732,404 12,500,820 8,244,964 (7,018,397) (4,608,048)

The curtailment gain resulted from the significant reduction of the number of employees covered by the plan as part of the streamlining and cost saving measures implemented Group to improve its operational efficiency.

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

	2012	2011
Fair value of plan assets, beginning	P7,752,530	P54,919,284
Expected return	465,152	1,881,497
Contributions to the plan	5,800,000	5,000
Benefits paid	(7,018,397)	(47,126,990)
Actuarial gains (losses) on plan assets	(1,998,040)	(1,926,261)
Fair value of plan assets, end	P5,001,245	P7,752,530

Actual return on plan assets are as follows:

	2012	2011	2010
	Consolidated	Consolidated	Separate
Income (loss)	(P1,532,888)	(P44,764)	P9,346,047

The components of retirement benefits cost (income), recognized as part of "Personnel costs" account in the statements of comprehensive income follow:

+:	2012 Consolidated	2011 Consolidated	2010 Separate
Current service cost	P12,500,820	P11,015,614	P10,486,677
Interest cost	8,244,964	12,139,525	17,503,336
Expected return on plan assets	(465,152)	(1,881,497)	(4,193,876)
Net actuarial gains recognized for the	272772333433457	\$19964.0 (SADC) \$1	
year	-	(367,486)	-
Effect of curtailment gain		(21,556,976)	
Net retirement benefit expense (income)	P20,280,632	(P650,820)	P23,796,137

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

The major categories of plan assets as a percentage of the fair value of the total plan assets are as follows:

	2012 Consolidated	2011 Consolidated	2010 Separate
Investments in bonds and other debt			
securities	55%	39%	26%
Deposits in banks	32%	27%	31%
Investments in equity securities	7%	17%	26%
Commercial loans	0%	0%	3%
Others	6%	17%	14%

The overall expected rate of return on plan assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

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

	2012 Consolidated	2011 Consolidated	2010 Separate
Discount rate	5.68%	6.03%	7.83%
Expected rate of return on plan assets	6.00%	3.43%	6.00%
Salary projection rate	10.00%	10.00%	10.00%

Assumptions regarding the mortality and disability rates are based on the 1960 Basic Group Mortality Table and the Disability Study, Period 2, Benefit 5 (Society of Actuaries), respectively.

# The historical information for the current year and previous years is as follows:

	2012	2011	2010	2009	2008
Present value of defined benefit plan obligation Fair value of plan assets	P145,851,743 5,001,245	P136,732,404 7,752,530	P155,038,638 54,919,284	P163,735,602 53,106,192	P163,725,986 72,978,116
Net unfunded liability	P140,850,498	P128,979,874	P100,119,354	P110,629,410	P90,747,870
	2912	2011	2010	2009	2008
Experience adjustments arising on plan liabilities	Р-	P -	Р.	р.	(P12,606,554)
Experience adjustments arising on plan assets		(1,926,261)	5,152,171	846,681	(15,218,213)

#### 19. Income Taxes

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

	2012	2011	2010
	Consolidated	Consolidated	Separate
Current tax expense	P21,122,179	P21,329,591	P44,699,747
Deferred tax benefit	(5,907,449)	(2,820,575)	(52,728,570)
	P15,214,730	P18,509,016	(P8,028,823)

The current income tax expense represents regular corporate income tax.

The reconciliations of the income tax expense (benefit) computed at the statutory tax rates to the actual expense shown in the statements of comprehensive income are as follows:

	2012 Consolidated	2011 Consolidated	2010 Separate
Income (loss) before income tax	P50,353,568	(P80,959,896)	(P16,680,721)
Income tax at corporate rate of 30% Additions to (reductions in) income tax due to the tax effects of:	P15,106,070	(P24,287,969)	(P5,004,216)
Nondeductible expense	117,855	0.00	12,027,886
Nondeductible interest expense Interest income already subjected to	6,456	12	
final tax	(15,651)	(48,760)	(9,296)
Nondeductible impairment losses	-	42,845,745	
Write-off of impairment loss			(15,043,197)
	P15,214,730	P18,509,016	(P8,028,823)

In relation to the taxability of PAGCOR, under RR No. 16-2005, as amended, gross receipts of franchises such as PAGCOR, regardless of how their franchises may have been granted, shall be subject to the 10% (or 12% starting January 1, 2006) VAT.

In February 2007, the Philippine Congress amended PD No. 1869, otherwise known as the PAGCOR Charter. This amendment extended the franchise term of PAGCOR for another period of 25 years. However, the said amendment did not include the revocation of PAGCOR's exemption from the payment of any form of taxes other than the 5% franchise tax imposed on the gross revenue or earnings derived by the PAGCOR from its operation under the franchise as previously provided for in PD No. 1869.

The components of the deferred tax liabilities - net of the Group are as follows:

×	2012	2011
Deferred tax liabilities:		
Revaluation increment in property and	120000000000000000000000000000000000000	
equipment	P466,114,154	P480,052,880
Rent receivable	21,061,944	18,306,042
Unamortized premium on security deposit	10,300,112	12,425,273
	497,476,210	510,784,195
Deferred tax assets:		014114132
Rent received in advance	99,366,464	99,366,464
Retirement benefit plan obligation	43,179,033	40,217,258
Unrealized foreign exchange losses	35,301,532	45,397,170
Allowance for impairment losses	702,875	970,419
Unamortized past service costs	267,376	748,322
	178,817,280	186,699,633
	P318,658,930	P324,084,562

In 2009, the Group recognized income tax of P80.26 million in other comprehensive income attributable to the appraisal increase of its property and equipment during the year. There were no income tax recognized in other comprehensive income for 2012 and 2011.

#### 0. Earnings (Loss) Per Share

Earnings (loss) per share is computed by dividing the net income (loss) for the year by the weighted average number of outstanding shares of common stock during the year.

	2012 Consolidated	2011 Consolidated	2010 Separate
Net income (loss)	P35,138,838	(P99,468,912)	(P8,651,898)
Weighted average number of outstanding shares of common stock (net of treasury stock)	346,100,520	346,100,520	346,100,520
Earnings (loss) per share - basic/diluted	P0.10	(P0.29)	(P0.02)

The previously reported EPS was recomputed due to the effect of the stock dividends as discussed in Note 13b and the re-measurement of the consideration of the business combination in 2011 as discussed in Notes 7 and 23.

There are no dilutive potential common shares for the years ended December 31, 2012, 2011, and 2010. Accordingly, diluted EPS (LPS) is the same as basic EPS (LPS).

## 21. Financial Risk Management

#### Risk Management Structure

#### BOD

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group. It also has 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, evaluation and analysis of the Group's risks in line with the policies and limits set by the BOD.

#### Financial Risk Management Objectives and Policies

The Group's principal financial instruments consist of cash, trade receivables, AFS investment and loan payable. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial instruments such as trade and other current receivables, trade and other current payables, obligations under finance lease, due from a related party, and concessionaires' and deposits which arise directly from operations.

The main risks arising from the financial instruments of the Group are credit risk, liquidity risk, market risk, interest rate risk, foreign currency risk and equity price risk. The Group's management reviews and approves policies for managing each of these risks, and these are summarized below.

#### 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. The Group grants advances to its affiliates after the BOD reassesses the Group's strategies for managing credits and views that they remain appropriate for the Group's circumstances.

The amounts presented in the statements of financial position are net of allowances for impairment losses on receivables, estimated by the Group's management based on prior experience and its assessment of the current economic environment.

With respect to credit risk from other financial assets of the Group, which comprise mainly of cash, amounts owed by related parties and receivables from Acesite Limited (BVI), the exposure of the Group to credit risk arises from the default of the counterparty, with maximum exposure equal to the carrying amount of these instruments.

At the reporting date, other than the trade and other receivables and receivables from Acesite Limited (BVI), there were no significant concentrations of credit risk.

Analyses of the amounts of financial assets by risk grade as of December 31 are set out below (in thousands):

	2012	2011
High grade	P575,127	P720,013
Standard grade	26,936	29,641
Substandard grade	2,343	3,235
	P604,406	P752,889

The credit grades used by the Group in evaluating the credit quality of its receivables to customers and other parties are the following:

- a. High grade and low risk receivables are neither past due nor impaired which have good collection status. This category includes credit grades 1-3. High grade receivables are those which have high probability of collection, as evidenced by counterparties having ability to satisfy their obligations and that the collaterals used to secure the receivables are readily enforceable.
- b. Standard grade and medium risk receivables are those past due but not impaired receivables and with fair collection status. This category includes credit grades 4-5. The standard grade category includes those for which collections are probable due to the reputation and the financial ability to pay of the counterparty but have been outstanding for a considerable length of time.
- c. Substandard grade and high risk grade receivables include those impaired which have continuous collection default issues. Substandard grade receivables are those where the counterparties are, most likely, not capable of honoring their financial obligations.

As of December 31, the Group's maximum exposure to credit risk, without considering the effects of collateral, credit enhancements and other credit risk mitigation techniques (in thousands) are as follows:

100	2012	2011
Cash	P6,462	P28,257
Trade and other current receivables: Guests, concessionaires and other patrons Others Due from a related party - net	30,721 1,633 572,052	36,007 4,384 689,533
Less allowance for impairment losses	610,868 2,343	758,181 3,235
	P6,462 30,721 1,633 572,052 610,868	P754,946

#### Cash includes cash on hand and in banks as follows:

	2012	2011
Cash on hand	P362,125	P359,125
Cash in banks	6,462,246	27,898,003
	P6,824,371	P28,257,128

Cash in banks earn interest based on prevailing deposit rates.

The aging analyses of the Group's financial assets (in thousands) are as follows:

		Neither Past		Past De	e but not lin	paired		Post Due
December 31, 2012	Total	Due nor Impaired	< 30 Days	30 - 60 Days	61 - 90 Days	91 - 120 Days	> 128 Days	Impaired
Trade and other current receivables: Guests, concessionaires and other patrons Others Due from a related party	P34,721 1,633 572,851	P1,442 1,633 572,057	P9,942	PS,453	P2,007	P1,257	P8,277	P2340
Total	P604,406	P\$75,127	P9.942	P5,453	P2,007	P1,257	P8,277	P2,343
		Neither Past	Past Dae but not Impaired			Past Dise		
December 31, 2011	Total	Due nor impaired	< 30 Days	30 - 60 Days	61 - 90 Days	91 - 120 Days	> 120 Days	Impaired
Trade and other ourrest receivables: Guests, concessionaires	10000		2,300-5		-5000			
and other patrons	P36,00T	P3,131	P14,901	P4,681	Р.	P113	19,944	P3,23
Others Due from a related party	689,533	689,533	1	7				
Total	P729,924	P697,048	P14,901	P4,681	Р.	P113	P9,946	P3,235

Information on the Group's receivables that are impaired as of December 31, 2012 and 2010 and the movement of the allowance used to record the impairment losses is disclosed in Note 5 to the consolidated financial statements.

The main considerations for impairment assessment include whether any payments are overdue or if there are any known difficulties in the cash flows of the counterparties. The Group assesses impairment in two ways: individual assessment and collective assessment.

The Group determines allowance for each significant receivable on an individual basis. Among the items that the Group considers in assessing impairment is the inability to collect from the counterparty based on the contractual terms of the receivables. Receivables included in the specific assessment are the accounts that have been endorsed to the legal department, non-moving account receivables, accounts of defaulted agents and accounts from closed stations.

For collective assessment, allowances are assessed for receivables that are not individually significant and for individually significant receivables where there is no objective evidence yet of individual impairment. Impairment losses are estimated by taking into consideration the age of the receivables, past collection experience and other factors that may affect collectibility.

The total impairment losses on the financial assets recognized in the statements of comprehensive income amounted to P0.70 million, P235.96 million and P18.53 million in 2012, 2011, and 2010, respectively (see Notes 5 and 8). Of the total impairment losses, the P92.13 million in 2011, which is related to the Group's receivables from Acesite Limited (BVI), had resulted from an individual assessment of possible impairment losses. The rest of the impairment losses were determined and measured through the Group's collective assessment procedures.

#### Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due because of an inability to liquidate assets or obtain adequate funding. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of the financial assets and financial liabilities.

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

Ultimate responsibility for liquidity risk management rests with the BOD, which has built 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's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages liquidity risk by maintaining adequate reserves, continuously monitoring forecasts 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.

The following tables summarize the maturity profile of the Group's financial liabilities (in thousands) based on contractual undiscounted payments:

	Total		Contractual	Undiscounted	Payments	
December 31, 2012	Carrying Amount	Tetal	On Demand	Less than 1 Year	1 to 5 Years	> 5 Years
Loan payable Trade and other current payables (net of	P314,129	P324,338	P324,338	P -	7 .	r -
government payables) Concessionaires and	209,446	209,446	122,042	87,404	55 .	3
deposits Contract payable	131,888	131,888			131,888	
	P655,463	P665,672	P446,380	P87,494	P131,888	P -

	. Total		Contractual 1	Undiscounted	Payments	
December 31, 2011	Carrying Amount	Total	On Demand	Less than 1 Year	1 to 5 Years	>5 Years
Loan payable	P367,099	P381,783	P381,783	P -	P -	P -
Trade and other current payables (net of						
government payables)	182,601	182,601	182,601	•	3.7	*
Concessionaires and					0.0000000000000000000000000000000000000	
deposits	90,471	132,536	-	10000	132,536	-
Contract payable	86,260	86,260		86,260		
	P726,431	P783,180	P564,384	P86,260	P132,536	Р -

#### Market Risks

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, foreign currency risk, and other price risks.

The Group is primarily exposed to the financial risks of changes in interest rates, foreign currency exchange rates and equity prices of its AFS investment. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk since 2007.

#### 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 interest rate risk arises primarily from its loans and borrowings.

The Group's financial instrument that is exposed to interest risk is its loan from ICBC (see Note 12). The loan bears interest at annual rate of 2% above SIBOR. The carrying amount of the loan payable, which is due and demandable, amounted to US\$7.63 million and US\$8.38 million as of December 31, 2012 and 2011, respectively. The Philippine peso equivalent of this loan converted using the conversion rate imposed by ICBC as of December 31, 2012 and 2011 amounted to P314.13 million and 367.10 million, respectively.

The Group obtains additional financing through bank borrowings. The Group's policy is to obtain the most favorable interest rates available using a mix of fixed and variable rate debts without increasing its foreign currency exposure. Surplus funds are placed with reputable banks.

Information relating to the Group's interest rate exposure is also disclosed in the notes on the Group's borrowings.

The following table illustrates the sensitivity of net income and equity for 2012, and 2011 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. This analysis assumes a 26.44% and 21.70% decrease in prevailing interest rates as of December 31, 2012 and 2011, respectively, and 37.93% and 16.30% increase as of December 31, 2012 and 2011, respectively. All other variables are held constant.

	Dec	rease	Increase		
1/4	-26.44%	-21.70%	+37.93%	+16.30%	
	2012	2011	2012	2011	
Net income	P1,569,561	P2,821,963	(P2,251,978)	(P2,119,848)	
Equity	1,569,561	2,821,963	(2,251,978)	(2,119,848)	

The other financial instruments of the Group are noninterest-bearing and are therefore not subject to interest rate risk.

There are no other impact on equity except those already affecting profit or loss.

#### Foreign Currency Risk

Foreign currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency.

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

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

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents as of December 31 are as follows:

	2012		
	US Dollar	Philippine Peso	
Cash Loan payable	\$15,039 (7,630,040)	P617,791 (314,128,747)	
Net foreign currency-denominated liability	\$7,615,001	(P313,510,956)	
	20		
	**	11	
	US Dollar	Philippine Peso	
Cash Loan payable	45000	ACCUPATION OF THE PERSON OF TH	

The Group recognized unrealized foreign currency exchange gain amounting to P21.80 million in and P0.27 million in 2012 and 2011, respectively, arising from the translation of these foreign currency-denominated financial instruments.

The following table demonstrates the sensitivity of the net income for the periods reported to a reasonably possible change in US dollar exchange rate based on past US dollar exchange rates and macroeconomic forecasts for 2012, with all other variables held constant, of the Group's 2012 and 2011 income after income tax. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items. This analysis assumes a 3.20% and 2.05% strengthening as of December 31, 2012 and 2011, respectively, and 2.85% and 2.04% weakening as of December 31, 2012 and 2011, respectively, of the Philippine peso against the US dollar exchange rate:

	Stren	gthening	We	akening	
	+3.20%	+2.05%	-2.85%	-2.04%	
	2012	2011	2012	2011	
Net income	P7,019,230	P5,246,031	(P4,470,620)	(P5,226,571)	

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

Equity Price Risk

The Group is exposed to equity price risk because of its investment in shares of stock of WII held by the Group which is classified in the statements of financial position as AFS investment. These securities are listed in the PSE. The Group has an outstanding investment in these securities equivalent to 86,710,000 shares as of December 31, 2012 and 2011.

The Group is not exposed to commodity price risk.

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

The following table illustrates the sensitivity of the Group's equity to a reasonably possible change in equity price. These changes are considered to be reasonably possible based on past equity price performance of the Group's AFS investment and macroeconomic forecast for 2012. This analysis assumes a decrease of 14.89% for 2012 and 47.07% for 2011 and an increase of 44.68% for 2012 and 141.83% for 2011 of the equity price of the Group's AFS investment. These percentages have been determined based on average market volatility in equity prices of the related investment in the previous 12-month periods ended December 31, 2012 and 2011, respectively. All other variables are held constant:

	Dec	Decrease		rease
	-14.89%	-47.07%	44.68%	141.83%
	2012	2011	2012	2011
Equity	(P2,711,994)	(P7,571,431)	P8,135,981	P22,812,148

Capital Risk 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. The Group's overall strategy remains unchanged since 2007.

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 process in 2012 and 2011. For purposes of the Group's capital management, capital includes all the equity items presented in the statements of changes in equity.

The total liabilities to total equity ratio of the Group as of the reporting periods, which have been within the Group's acceptable range, are determined as follows:

	2012	2011
Total liabilities Total equity	P1,422,905,469 1,121,698,119	P1,524,788,947 1,083,524,431
And And	1.27:1	1.41:1

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

#### 22. Financial Instruments

Fair Value of Financial Assets and Liabilities

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the consolidated financial statements as of December 31 (in thousands):

	2	012	2	011
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial Assets				
Loans and Receivables				
Trade and other current receivables				Paragraphic
Guests, concessionaires and other patrons	P28,378	P28,378	P32,772	P32,772
Others	1,633	1,633	4,384	4,384
Due from a related party	572,052	572,052	689,533	689,533
	602,063	602,063	726,689	726,689
AFS		10		
Quoted equity AFS investment	26,013	26,013	22,978	22,978
	P628,076	P628,076	P749,667	P749,667
Financial Liabilities			1975	
Other Financial Liabilities				2000
Loan payable	P314,129	P314,129	P367,099	P367,099
Trade and other current payables	209,446	209,446	188,865	188,865
Concessionaires and deposits	97,555	97,555	90,471	90,47
Contract payable		-	86,260	86,26
	P621,130	P621,130	P732,695	P732,693

The carrying amount of cash, trade and other current receivables, amounts owed by related parties, loan payable, and trade and other current payables approximate their fair values due to the short-term maturity of these instruments.

The fair values of concessionaires and deposits approximate their carrying amount as these are carried at present values discounted using discount rates approximating average market rates as of reporting periods. Discount rates used ranged from 5.8% to 7.71% in 2011.

### Fair Value Hierarchy

The table below analyzes financial instruments carried at fair value by valuation levels. The different levels have been defined as follows:

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

2012	Level 1	Level 2	Level 3	Total
Financial Asset AFS investment	P26,013,000	Р-	Р.	P26,013,000
2011	Level I	Level 2	Level 3	Total
Financial Asset AFS investment	P22,978,150	P -	Р-	P22,978,150

## 23. Significant Commitments and Contingencies

"Other noncurrent assets" account is primarily consist of rental receivables arising from straight-line method of rental recognition and advances to contractor as follow:

	Note	2012	2011
Rental receivable	23a	P70,206,479	P61,020,140
Advances to contractors	23d	16,729,329	47,163,638
Other deposits and noncurrent assets		12,117,980	6,219,526
		P99,053,788	P114,403,304

In addition to the agreements and commitments discussed in the other sections of the notes to the consolidated financial statements, discussed below are the significant commitments and agreements that the Group has entered into.

## a. Operating Leases Commitments - Group as Lessor

The Group has entered into commercial property leases on certain commercial spaces located in the Hotel, primarily with PAGCOR. These leases are non-cancellable, for long-term, include renewal terms and are usually subject to rent escalation.

The lease agreements undergo various renewals. The latest renewal contract, known as the Omnibus Amended Lease Contract (OALC), was executed by the Company and PAGCOR on December 1, 2010.

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

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

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

The balances of the outstanding rentals received in advance amounted to P331.22 million in 2012 and 2011, and is presented as part of noncurrent liabilities in the consolidated statements of financial position.

Relative to the OALC, the existing refundable security deposits amounting to P131.89 million received by the Company upon the execution of the prior contracts were retained by the Company. These deposits were presented as "Concessionaires and deposits" account in the statements of financial position and were carried at its present value of P97.55 million, P90.47 million and P84.5 million as of December 31, 2012, 2011 and 2010, respectively, computed using an effective interest rate of 8% over the term of the OACL. The change in the present value and the amortization of the discount is recognized as Accretion expense (income), part of "Financing Costs (Income) - net" account in the statements of comprehensive income (see Note 16). The amortized cost of the refundable security deposits was determined by calculating the present value of the cash flows anticipated until the end of the lease term using the interest rate of 8%. As the deposit does not have an active market, the underlying interest rate was determined by reference to market interest rates of comparable financial instruments.

Future minimum rentals receivable under non-cancellable operating leases follow:

	2012	2011
Within one year	P331,606,103	P315,815,336
After one year but not more than five years	1,038,607,080	1,370,213,183
	P1,370,213,183	P1,686,028,519

In February 16, 2009, the Parent Company assigned its future rental receivables from PAGCOR in payment of the loan of Pacific Rehouse Corporation (a stockholder of WPI) and the loan of Waterfront Mactan Casino Hotel, Inc. (a fellow subsidiary of the Parent Company) from Philippine Business Bank.

The rental income from the lease contracts, recognized in the statements of comprehensive income on a straight-line basis amounted to P265.73 million, P310.68 million and P241.32 million in 2012, 2011 and 2010, respectively. Rental receivables arising from straight-line method of rental recognition amounted to P70.21 million and P61.02 million in 2012 and 2011, respectively.

## b. Finance Lease - Parent Company as Lessee

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

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

As disclosed in Note 7, the Parent Company executed a MOA with CIMAR to amicably settle all pending cases and controversies between the two parties. As part of the amicable settlement with ALB and CIMAR, the existing accrued interest on lease liability of the Parent Company to CIMAR prior to acquisition date formed part of (netted from) the total net consideration when the Parent Company acquired CIMAR. As a result of the MOA, the RTC of Manila issued an order granting the joint motion to dismiss the ejectment case filed by CIMAR against the Parent Company.

#### c. Advances to Contractor

On December 8, 2010, the Group entered into a contract with a contractor for the renovation of the Group's hotel guest rooms, hallways and lounges for a total contract price of P134.29 million and an estimated time of completion of ten (10) months from the signing of the contract. Under the contract, the Group paid advances to contractor, presented as part of "Other noncurrent assets" account in the separate statements of financial position. As of December 31, 2012 and 2011, advance payments to the contractor have a balance of P16.73 million and P47.16 million, respectively.

#### d. Provisions and Contingencies

Tax Assessment from the BIR

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

Tax Assessment from the Treasurer of the City of Manila

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

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

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

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

On a court decision dated December 7, 2010, the appeal filed by the Group was dismissed for lack of merit. Subsequently, the Group filed a motion for reconsideration. However, and order was received dated February 28, 2011 denying the motion for reconsideration for lack of merit.

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

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

As of the date of the report, the said assessment is pending action of the court on the petition for review filed by the Group. Management and its legal coursel also believe that the Group does not have a present obligation (legal or constructive) with respect to such assessment.

Other Legal Cases

Aside from a case initiated by ALB in Hong Kong against the Group and EPCIB (see Note 13) and a tax case filed by Treasurer of the City of Manila as disclosed above, the Company is a defendant in other legal cases which are still pending resolution. Management and its legal counsel believe that the outcome of these cases will not have any material effect on the Company's financial position and operating results.

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

In the opinion of the management of the Group and in consultation with the legal counsels, the ultimate disposition of these assessments and legal cases, as discussed above, will not have a material adverse effect on the financial position or financial performance of the Group in general. A provision amounting to P20.23 million was recognized in 2010 as part of "Impairment losses, bad debts written-off and provisions" in the "General and administrative expenses" account (see Note 14). The outstanding balance of the provision of P20.23 million as of December 31, 2012, 2011 and 2010 is presented as part of "Trade and other current payables", (see Note 10).

Disclosure of some or all the information required by PAS 37, Provisions, Contingent Liabilities, and Contingent Assets, can be expected to prejudice seriously the position of the entity in a dispute with other parties on the subject matter of the provision, contingent liability or contingent asset.

#### 24. Other Matters

#### MERALCO Refund

As a customer of MERALCO, the Group received a refund for some of MERALCO's previous billings under Phase IV-B of MERALCO's refund scheme. The Group opted to recover the refund through receipt of quarterly postdated checks of equal amount over 5 years, starting April 2005 up to December 2010. In 2005, the Group recognized a receivable from MERALCO at its present value amounting to P15.9 million (net of unearned interest income of P6.2 million). The receivable was discounted using an effective interest rate of 14.0%. In 2010, the remaining receivable was fully settled at P4.2 million which represents the gross or undiscounted amount of the remaining receivable.

Accretion income recognized amounted to P0.34 million in 2010 (see Note 16).

# ACESITE (PHILS) HOTEL CORPORATION AND SUBSIDIARY ROOM 610, MANILA PAVILION HOTEL UNITED NATIONS AVENUE, ERMITA, MANILA SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AS OF DECEMBER 31, 2012

Unappropriated Retained Earnings, January 1, 2012	P308,091,473
Adjustments:	
Net cumulative unrealized foreign exchange loss, net of tax effect	21,803,958
Cumulative unrealized actuarial gains, net of tax effect	1,128,724
Treasury shares, net of tax effect	(12,041,700)
Unappropriated Retained Earnings, As Adjusted, January 1, 2012	318,982,455
Add (less):	
Net income for the year closed to retained earnings	33,186,604
Depreciation on revaluation increment on property and equipment, net of	
tax effect	32,523,694
Unrealized foreign exchange gain, net of tax effect	(21,803,958)
Stock dividends	(246,248,212)
	(202,341,872)
UNAPPROPRIATED RETAINED EARNINGS, AS ADJUSTED,	
DECEMBER 31, 2012	P116,640,583

Figures based on audited Separate Financial Storements.

#### Note

The amount of net cumulative unrealized foreign exchange losses that is considered in the reconciliation above is to the extent only of the net unrealized gains during the year.

## ACESITE (PHILS.) HOTEL CORPORATION AND SUBSIDIARY SUPPLEMENTARY SCHEDULE REQUIRED UNDER SRC RULE 68, AS AMENDED (2011)

Schedule of Philippine Financial Reporting Standards (PFRSs)
Effective as at December 31, 2012

Statements	al Framework Phase A: Objectives and qualitative	v		
PFRSs Pract	ice Statement Management Commentary			
Philippine F	Financial Reporting Standards		*******	
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			•
	Amendments to PERS 1 and PAS 27: Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate	,		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			v
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			v
	Amendments to PFRS 1: Severe Hyperinillation and Removal of fixed Date for First-time Adapters			•
	Amendments to PFRS 1: Government Loans			•
PFRS 2	Share-based Payment			~
	Amendments to PFRS 2: Vesting Conditions and Cancellations			v
	Amendments to PFRS 2: Group Cash-settled Share- based Payment Transactions			~
PFRS 3 (Revised)	Business Combinations	•		
PFRS 4	Insurance Contracts			~
	Amendments to PAS 39 and PFRS 4; Financial Guarantee Contracts			v
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	i	35	v
PFRS 6	Exploration for and Evaluation of Mineral Resources			~



Menabet Senegustin & Co., CPAs The KPMG Center, 9/F 6787 Ayala Avenue Maketi City 1226, Metro Mania, Philippines Telephone +63 (2) 885 7000 +63 (2) 894 1985 Fax Internet. www.kpmg.com.ph E-Mail manife@tpmg.com.ph

Branches: Becolod Cebu Hollo Subic

## REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders Acesite (Phils.) Hotel Corporation Room 610, Manila Pavilion Hotel United Nations Avenue Ermita, Manila

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

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

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

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

MANABAT SANAGUSTIN & CO., CPAs

CPA License No. 0024593

TOMAS CMAHINA

SEC Accreditation No. 1035-A, Group A, valid until September 29, 2013

Tax Identification No. 121-597-818

BIR Accreditation No. 08-001987-21-2010

Issued June 30, 2010; valid until June 29, 2013

PTR No. 3669516MC

Issued January 2, 2013 at Makati City

April 12, 2013

Makati City, Metro Manila

Springer of	4 TH 2 TH + 2		_	
FRS 7	Financial Instruments: Disclosures	•		
	Amendments to PFRS 7; Transition	-		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	•		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	-		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	•		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	•	0100	
	Amendments to PFR\$ 7; Disclosures - Offsetting Financial Assets and Financial Liabilities	~		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			
PFRS 8	Operating Segments	~		
PFRS 9	Financial Instruments	100000	H 8322-311	~
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures			~
PFRS 10	Consolidated Financial Statements		Sec.	,
PFRS 11	Joint Arrangements			~
PFRS 12	Disclosure of Interests in Other Entitles	172-		
PFRS 13	Fair Value Measurement	1 1100	2100-01-0	
Philippine A	Accounting Standards			
PAS 1	Presentation of Financial Statements	-		
(Revised)	Amendment to PAS 1: Capital Disclosures			-
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			•
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	•		
PAS 2	Inventories	•	133	
PAS 7	Statement of Cash Flows	•		
PASB	Accounting Policies, Changes in Accounting Estimates and Errors	~	3	
PAS 10	Events after the Balance Sheet Date	~	97-	
PAS 11	Construction Contracts			
PAS 12	Income Taxes	~		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	-	aution a	
PAS 16	Property, Plant and Equipment	•		
PAS 17	Leases			
PAS 18	Revenue		1000	AREVE Y

# ANNEX B

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PAS 19	Employee Benefits	-	6 0 0	
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			v
PAS 19 (Amended)	Employee Benefits	•	//	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			~
PAS 21	The Effects of Changes in Foreign Exchange Rates			
	Amendment: Net Investment in a Foreign Operation			-
PAS 23 (Revised)	Borrowing Costs			
PAS 24 (Revised)	Related Party Disclosures	v		
PAS 26	Accounting and Reporting by Retirement Benefit Flans			~
PAS 27 (Amended)	Separate Financial Statements	,		
PAS 28 (Amended)	Investments in Associates and Joint Ventures			v
PAS 29	Financial Reporting in Hyperinflationary Economies			*
PAS 31	Interests in Joint Ventures			-
PAS 32	Financial Instruments: Disclosure and Presentation	~		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Uquidation		V	•
	Amendment to PAS 32: Classification of Rights Issues			
	Amendments to PAS 32; Offsetting Financial Assets and Financial Dabilities			
PAS 33	Earnings per Share	~		
PAS 34	Interim Financial Reporting	Barrier -		
PAS 36	Impalment of Assets	-		
PAS 37	Provisions, Confingent Liabilities and Confingent Assets	-		
PAS 38	Intangible Assets	~		1

	Maria Maria da Barriar de Caralda			
PAS 39	Financial Instruments: Recognition and Measurement	,		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	•		***
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			~
	Amendments to PAS 39: The Fair Value Option		W = 9	
	Ameniaments to PAS 39 and PFRS 4: Financial Guarantee Contracts			-
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	•		771111
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	•		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			,
	Amendment to PAS 39: Eligible Hedged items			٠
PAS 40	Investment Property			-
PAS 41	Agriculture			•
Philippine I	nterpretations			
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			-
IFRIC 2	Members' Share in Co-operative Entities and Similar instruments			-
IFRIC 4	Determining Whether an Arrangement Contains a Lease			-
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			•
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			•
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperintiationary Economies			~
IFRIC 8	Scope of PFRS 2			-
IFRIC 9	Reassessment of Embedded Derivatives			
	Amendments to Philippine Interpretation (FRIC-9 and PAS 39: Embedded Derivatives			-
IFRIC 10	Interim Financial Reporting and Impairment			-
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			-
IFRIC 12	Service Concession Arrangements			
IFRIC 13	Customer Loyalty Programmes		740.0	

IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction		•
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement	1007/100-17	•
IFRIC 16	Hedges of a Net Investment in a Foreign Operation		~
FRIC 17	Distributions of Non-cash Assets to Owners		٠
IFRIC 18	Transfers of Assets from Customers		•
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	(27.25%)	~
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine		•
SIC-7	Introduction of the Euro		-
SIC-10	Government Assistance - No Specific Relation to Operating Activities		•
SIC-12	Consolidation - Special Purpose Entities		•
	Amendment to SIC - 12: Scope of SIC 12	100	•
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers		~
SIC-15	Operating Leases - Incentives		
SIC-21	Income Faxes - Recovery of Revalued Non- Depreciable Assets		~
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders		
SIC-27	Evaluating the Substance of Transactions involving the Legal Form of a Lease	41.74	
SIC-29	Service Concession Arrangements: Disclosures.	1144	
SIC-31	Revenue - Barter Transactions Involving Advertising Services		
SIC-32	Intangible Assets - Web Site Costs		

ACESITE (PHILS.) HOTEL CORPORATION AND SUBSIDIARY SUPPLEMENTARY SCHEDULE REQUIRED UNDER SRC RULE 68, AS AMENDED (2011) Map of Conglomerate

> Waterfront Philippines, Inc. (Immediate and Ultimate Parent) Acesite (Phil.) Hotel Corporation (The Reporting Entity) CIMA Realty Philippines, Inc. (100%-owned Subsidiary)

# ACESITE (PHILS.) HOTEL CORPORATION

## **Table of Contents**

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

		Page
A.	Financial Assets	2
B.	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates).	3
C.	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements - (nothing to report)	4
D.	Intangible Assets - Other Assets - (nothing to report)	5
E.	Long-term Debt	6
F.	Indebtedness to Related Parties - (nothing to report)	7
G.	Guarantees of Securities of Other Issuers - (nothing to report)	8
H.	Capital Stock	9

# ACESITE (PHILS.) HOTEL CORPORATION SCHEDULE A - FINANCIAL ASSETS DECEMBER 31, 2012

Name of Issuing Entity/Description of Each Issue	Number of shares or Principal Amount of Bonds and Notes	Amount Shown in the Statements of Financial Position	Value Based on Market Quotations at December 31, 2012	Income Received and Accrued
Cash		P6.824,371	P6,824,371	P52,171
Trade and other current receivables - net		30,011,233	30,011,233	1997/6420.00
Due from Waterfront Philippines, Inc.	(*)	572,051,985	572,051,985	-
Available-for-sale investment	86,710,000	26,013,000	26,013,000	
		P634,900,589	P634,900,589	P52,171

See Notes 5, 11a, 11b and 21 of Notes to the Consolidated Financial Statements.

# ACESITE (PHILS.) HOTEL CORPORATION SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (Other than Related Parties) DECEMBER 31, 2012

Name and Designation of Debtor	Balance at beginning of the period	Additions	Amounts collected	Amounts written off	Current	Noncurrent	Balance at end of the period
Waterfront Philippines, Inc.	P689,532,788	P191,064,446	(P308,545,249)	Р.	689,532,788	Р.	P572,051,985

See Note 13a of Notes to the Consolidated Financial Statements.

# ACESITE (PHILS.) HOTEL CORPORATION SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLDIATION OF FINANCIAL STATEMENTS DECEMBER 31, 2012

Name and Designation of Debtor Balance at beginning of the period

Additions

Amounts

Amounts written off

Current

Noncurrent

Balance at end of the period

Nothing to report

# ACESITE (PHILS.) HOTEL CORPORATION SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS DECEMBER 31, 2012

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

Nothing to report

# ACESITE (PHILS.) HOTEL CORPORATION SCHEDULE E - LONG-TERM DEBT DECEMBER 31, 2012

Title of Issue and Type of Obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
ICBC Loans Payable Facility Agreement -1995 Amended in 1997 (existing facility agreement) Amended in 2003 (amendment agreement)	\$15,000,000	P314,128,747	P -

See Note 12 of Notes to the Consolidated Financial Statements.

# ACESITE (PHILS.) HOTEL CORPORATION SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES DECEMBER 31, 2012

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

Nothing to report

# ACESITE (PHILS.) HOTEL CORPORATION SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS DECEMBER 31, 2012

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

Nothing to report

# ACESITE (PHILS.) HOTEL CORPORATION SCHEDULE H - CAPITAL STOCK DECEMBER 31, 2012

Description	Number of Shares authorized	Number of shares issued and outstanding	Treasury Shares	Number of shares held by affiliates	Directors, officers and employees	Others
Common shares Preferred shares	1,200,000,000 20,000	344,747,520	1,353,000	199,511,257	13,846	145,222,417
	1,200,020,000	344,747,520	1,353,000	199,511,257	13,846	145,222,417

See Note 13 of Notes to the Consolidated Financial Statements.



107032013002409



# SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manita, Philippines Tel: (632) 726-0931 to 39 Facc (632) 725-5293 Email: mis/geoc.gov.ph

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Company Information

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0000007199

Company Name

ACESITE (PHILS.) HOTEL CORP.

Industry Classification

Company Type

Stock Corporation

#### **Document Information**

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Document Type

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Document Code

17-Q

Period Covered

March 31, 2013

No. of Days Late

0

Department

CED

Remarks

AMENDED

C 7 3 7013

# 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 quarter	rly period end	ed	31 March 2013
2.	Commission to	dentification N	lumber	7199
3.	BIR Tax Identi	fication Code		002-858-627
4.	ACESITE (PH	LS.) HOTEL	CORPORAT	TION
	Exact Name o	f issuer as sp	ecified in its	charter
5.	Manila, Philipp			6. (SEC Use Only)
	Province, cour	ntry of incorpo	oration	Industry Classification Code
7.	7 <sup>th</sup> Floor, Mani	ila Pavilion Ho	otel, UN Ave	e. corner M. Orosa St., Ermita, Manila, 1000
	Address of Pri	incipal Office	and Postal C	Code
8.	Issuer's teleph	none number		(632) 526-1212 extension 2403
9.	No changes fr	rom last report	ES.	- 10 - 10 - 10 - 10 - 10 - 10 - 10 - 10
-	Former name,	, former addre	ss, and form	ner fiscal year, if changed since last report
44		Total and the second	on to Contin	ons 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA
10.	Securities reg	istereo pursua	and to Section	
		24000/22		Number of Shares of Common Stock
	Title	of Each Clas	S	Outstanding and
				Amount of Debt Outstanding
	Common	- A	uthorized	1,200,000,000
			ssued	344,747,520
	- Commence		reasury	1,353,000
	Preferred	- A	uthorized	20,000
		- 4	ssued	None
11.	THE PROPERTY OF THE PROPERTY O		securities li	listed on a Stock Exchange?
		(es [x]		No [ ]
	346,100,520 Philippine Sto	of issued cor ock Exchange.	nmon share , of which 1,	es of Acesite (Phils.) Hotel Corporation are listed in the 353,000 shares are treasury shares.
12.	Indicate by	check mark w	hether the n	registrant:
30	the	reunder or Se	ction 11 of to Corporation	to be filed by Section 17 of the SRC and SRC Rule 1 the RSA and RSA Rule 11(a)-1 thereunder, and Sections 2 Code of the Philippines during the preceding twelve (12 period that the registrant was required to file such reports);
	11101	Yes[x]		No [ ]
	(b) Hav		ted to such !	filing requirements for the past ninety (90) days.
	(u) max		ion to buoli	10000000000000000000000000000000000000
		Yes [x]		No [ ]

#### NOTES TO INTERIM FINANCIAL STATEMENTS

#### Item 1. Reporting Entity

Acesite (Phils.) Hotel Corporation (the "Company") is a 55.49%-owned subsidiary of Waterfront Philippines, Incorporated (WPI) and its ultimate parent is The Wellex Group, Inc. It was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 10, 1952 primarily to engage in the business of operating a hotel, or other accommodations, for the general public and to construct such facilities as may be reasonably necessary or useful in connection with the same.

The Company is the owner of Manila Pavilion Hotel (the "Hotel"). The Corporate life of the Company has been extended up to 2052. The Company's shares have been listed in the Philippine Stock Exchange (PSE) since December 5, 1986.

#### Office Address

The Company's registered office address is 7th Floor, Manila Pavilion Hotel, United Nations Avenue, Ermita, Manila.

#### Item 2. Basis of Preparation

#### Statement of Compliance

The interim financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The financial statements of the Company as of and for the period ended March 31, 2013 were approved and authorized for issue by the Board of Directors (BOD) on April 12, 2013.

#### Basis of Measurement

The interim financial statements are prepared on the historical cost basis except for hotel building and equipment and furniture, fixtures and equipment, which are measured at revalued amounts less accumulated depreciation and impairment losses, and AFS investment, which is measured at fair value.

#### Functional and Presentation Currency

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

#### Use of Estimates and Judgments

The preparation of interim financial statements in conformity 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 and disclosure of contingent assets and contingent liabilities. 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 any future periods affected.

#### Item 3. Summary of Significant Accounting Policies

The same accounting policies have been applied consistently for interim reporting as applied in the entity's annual financial.

The Company does not plan to adopt the PFRS 9, Financial Instruments, early and the extent of the impact has not been determined. The Company will adopt the standard on January 1, 2015.

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.

#### PAS 2B

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.

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

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

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

It should not restate the borrowing cost component that was capitalized under previous GAAP; and

it should account for borrowing costs incurred on or after the date of transition (or an earlier date, as permitted by PAS 23 Borrowing Costs) in accordance with PAS 23. This includes those borrowing costs that have been incurred on qualifying assets already under construction at that date.

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

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

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

PFRS 10. Consolidated Financial Statements

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

An investor controls an investee when:

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

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

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

PFRS 12. Disclosure of interests in Other Entities

PFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate:

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

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.

#### Item 4. Cash and Cash Equivalents

Included in cash and cash equivalents as of March 31, 2013 are composed mainly of cash deposited at various banks.

Item 5. Receivables

This account consists."

	March 2013	December 2012
Trade - Net	26,959,617	28,582,665
Others	6,342,828	1,428,568
Total	33,302,445	30,011,233

#### Item 6. Inventories

This account consists:

	March 2013	December 2012
Food and Beverage	4,797,921	2,985,505
Operating Supplies	2,861,919	2,545,109
Others	1.093,724	1,315,184
Total	8,753,564	6,845,798

## Item 7. Accounts Payable and Accrued Expenses

This account consists:

	March 2013	December 2012
Accrued Expenses	64,849,675	68,308,887
Trade Payables	65,128,446	137,541,140
Others	8,405,630	7,866,439
Total	138,383,751	213,716,466

#### Item 8. Related Party Transactions

The Company's related party transactions include transactions with WPI (the Company's parent), stockholders, its fellow subsidiaries and key management personnel.

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.

#### Item 9. Loan Payable

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. In 2010, the Company made a partial loan payment amounting to US\$50,000 or P2,259,904. For the year 2012 a total of US\$749,800 or P31,310,150 partial loan payment was made. Another partial loan payment totaling to US\$300,000 or P12,265,000 in the 1<sup>st</sup> quarter of 2013. As of the date of this report, management is still negotiating with ICBC for the rescheduling of payments of the Company's overdue loan principal installments totaling US\$7.33 million. In the absence of ICBC's formal agreement to the proposed restructuring, the entire balance of the loan has been classified as a current liability in the Company's statements of financial position as of December 31, 2012, 2011 and 2010.

#### Item 10. The earnings (loss) per share is computed as follows:

The second secon	March 2013	March 2012
Net Income (Loss)	3,178,773	13,655,373
Weighted Average Number of Shares Outstanding	344,747,520	98,499,308
Earnings (Loss) per share	0.01	0.14

The Board of Directors on its special meeting held on August 1, 2008 approved the declaration of three hundred percent stock dividends or three (3) common shares per one (1) outstanding common share, and subsequently approved by the stockholders in a special meeting held on September 26, 2008. However upon consultation with the Securities and Exchange Commission and the need to comply with the new SEC guidelines on the declaration of dividends, the stockholders, acting on the recommendation of the management during the annual stockholders meeting held on July 20, 2009 ratified and approved amendments to the resolution previously approved during a special stockholders meeting held on September 26, 2008, thus approving a 250% stock dividend instead of a 300% stock dividend.

On May 25, 2012, the application for the increase in the Company's authorized capital stock from P310 million to P1.21 billion was approved by SEC. Accordingly, the Company distributed the 250% stock dividends or 248,248,212 shares on July 19, 2012 for stockholders of record as of June 25, 2012.

Thus, ending common shares in the 1Q2013 increased to 344,747,520 shares due the 250% stock dividends of 246,248,212 shares from 1Q2013 of 98,499,308 shares.

The Company is involved in a number of legal cases (labor and civil). However, adverse
judgments on these will not affect the short-term liquidity of the Company. For such
contingencies, management has provided adequate reserves.

Aside from the above-mentioned items, management does not know of trends and events that would have a material impact on the Company's liquidity

- Aside from the above-mentioned items, the company does not know of other material events that will trigger direct or material contingent financial obligation to the company.
- There are no off-balance sheet transactions, arrangements, obligations and other relationships of the company with unconsolidated or other persons created during the reporting period.
- The business declined in the 1st quarter of 2013 mainly because half of the floors were closed for refurbishments.
- For the first quarter of 2013, there are no material or significant elements of income or loss that did not arise from the Company's continuing operations.
- Causes of material changes in the items in the financial statements from 2012 to 2013 have been discussed under management discussion and analysis above.
- vii. Causes of material changes in the items in the income statements for the 1st quarter of 2012 and 2013, and the balance sheets as of 31 March 2013 and 31 December 2012 have been discussed under management discussion and analysis above.
- The company does not know of any seasonal aspects that had a material effect on the financial condition or results of operations.

# MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

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

#### **RESULTS OF OPERATIONS**

#### Quarter Ended 31 March 2013 and Quarter Ended 31 March 2012

Gross revenues registered a decrease of P27.6 million from P147.7 million in the 1st quarter of 2012 to P120.1 million during the same comparative period in 2013. Room sales went down by 33.03% from P41.6 million in 1Q2012 to P27.9 million in 1Q2013. Occupancy rate in 1Q2013 was 79.44% as compared to the 63.26% in 1Q2012 or 25.58% points higher. The closing of 16<sup>th</sup> floor to 21<sup>st</sup> floor for refurtishments caused the major downfall of revenue. Room revenue represents 23.22% of gross revenues for 1Q2013 while 28.19% in 1Q2012. Average room rate of 1Q2013 is P1.581.23, P142.68 higher than P1.438.55 of the same period in 2012.

Food and Beverage revenue for 1Q2013 amounted to P23 million, a decrease of 43.65% from P40.8 million in 1Q2012 resulting from the lower house occupancy due to closing down of five floors due to renovation and closure of Peony and Rotisserie outlets. Food and beverages sales contributed 19.16% to gross revenues. Revenues generated by other operating departments including Telephone department went down by 32.92% from P0.812 million in 1Q2012 to P0.545 million in 1Q2013. Rent and other income has increase by 6.62% from P64.4 million in1Q2012 to P68.7 million in 1Q2013.

Cost of sales of food and beverage decreased from P14 million in 1Q2012 to P11.2 million in 1Q2013 representing a decrease of 20.39%. The food and beverage cost ratio to revenue has increased from 34.37% in 1Q2012 to 48.55% in 1Q2013. Though buffet presentation and food selections have improved revenue has not pick up. Payroli expenses which accounted for the bulk of COSS at 28.75% showed a slight increase from P20.445 million in 1Q2012 to P20.488 million in 1Q2013. Other expenses went down from P10.2 million in 1Q2012 to P8.2 million in 1Q2013. The increase in Energy cost by 4.01% from P15.026 million in 1Q2012 to P15.628 million in 1Q2013 was due to the increase in electric consumption from 1,808,821 kilowalt in 1Q2012 to 1,938,244 kilowalt in 1Q2013 and the increase of water rate per cubic meter from P53.94 in 1Q2012 to P71.12 in 1Q2013. Properly operations and maintenance cost increased from P5.4 million in 1Q2012 to P7.7 million in 1Q2013 due to the expenses incurred for the annual maintenance of the electrical power sub station and the conversion from incandescent bulbs to led lights in the lobby and other areas.

The Company posted a gross operating profit of P48.9 million in 1Q2013, representing a decrease of P28.8 million or 37.11% from that recorded in 1Q2012 of P77.7 million. Gross operating income ratio in 1Q2013 is lower by 11.93% points over the same period last year mainly due to the decrease in all revenue centers except for the rent and other income coupled with the increase in overhead expenses.

Fixed financial, operating and other expenses decreased from £47.8 million in 1Q2012 to £30.3 million in 1Q2013 with the major decrease coming from general and administrative expenses and corporate expenses. The decrease of general and administrative expenses from £27.4 million in 1Q2012 to £19 million in 1Q2013 was due to lesser shared group expenses and lower expenditure for labor relations. Marketing and guest entertainment increased by £0.257 million from £2 million in 1Q2012 to £2.3 million in 1Q2013. Foreign exchange gain was posted at £2.065 million in 1Q2013 due to reinstatement of a foreign exchange denominated bank loan at the rate of £40.90 as of March 31, 2013 against £43.13 as of March 31, 2012. Interest expense decreased from £3.353 million in 1Q2012 to £3 million in 1Q2013 due to the lower foreign conversion rate of US Dollar to Philippine peso and the decrease in principal loan amount. Corporate Expenses decreased from £15.3 million in 1Q2012 to £3.7 million in 1Q2013 due to the provision for home office expense allocated last 1Q2012 in the amount £12 million. For 1Q2013, the Company posted a net income after tax of £3.179 million which decreased by 76.72% from £13.655 million in 1Q2012.

SEC Form 17-Q Third Quarter of 2013

#### FINANCIAL CONDITION

#### As of 30 March 2013 and Year Ended 31 December 2012

Total assets decreased to P2.461 billion by 31 March 2013 from P2.545 billion as of 31 December 2012. Current assets decreased from P629.9 million as of 31 December 2012 to P505.5 million as of end of 1Q2013. Cash ending balance as of 31 March 2013 of P6.8 million posted an increase of P9 million. Trade receivables of P33.3 million increased by P2.5 million as of 31 March 2013 from P30 million as of 31 December 2012. Inventories increased by P1.9 million from P6.8 million as of 31 December 2012 to P8.6 million as of end of 1Q2013. Net amounts owed by related parties decreased from P572 million as of 31 December 2012 to P417 million as of 31 March 2013. Prepayments and other current assets increased to P30.6 million as of 31 March 2013 from P14.2 million as of 31 December 2012 due to unused input VAT of P27.9 million on purchases and service contracts pertinent to the renovation project.

Property and equipment account increased by 3.27% from P1.790 billion as of 31 December 2012 to P1.848 billion as of 31 March 2013 mainly due to the increase in construction in progress account pertaining to the ongoing renovation. No changes have been noted from the Available for Sale investment account from 31 December 2012 to the 1Q2013. Other non-current assets of P81.5 million as of end of 1Q2013 represents a decrease by P17.5 million from P99 million as of 31 December 2012 due to the reclassification to specific expense or asset account on purchases with 50% down payment which were already delivered and settled.

Total liabilities decreased from P1.423 billion as of 31 December 2012 to P1.336 billion as of 31 March 2013. Trade and other current payables decreased from P213.7 million as of 31 December 2012 to P138.4 million as of 31 March 2013. Loan payable to Industrial and Commercial Bank of China (ICBC) representing 26.12% of the total liabilities decreased to P299.8 million as of 31 March 2013 from P314.1 million as of 31 December 2012, due to dollar conversion factor and the partial settlement of principal loan amount totaling to US\$0.3 million or P12.3 million for the 1Q2013. Due to Subsidiary account of P1.2 million pertains to the payable of Acesite to Cima Realty for the operating lease entered for the use of the land. The P3.7 million income tax payable pertaining to 2012 was settled last April 15, 2013.

The Company and PAGCOR have entered into a contract known as the Omnibus Amended Lease Contract (OALC) which requires advance rental. The balances of the outstanding rentals received in advance based on the expected dates of application against the rental due is P331.222 million as of 31 December 2012 and end of 1Q2013 as spelled out in the contract. Relative to the OALC, the existing refundable security deposit carried at its present value is P97.55 million as of the end of 2012 and 1Q2013.

#### **TOP FIVE (5) PERFORMANCE INDICATORS**

The top five (5) key performance indicators, as discussed herein, are presented on comparable basis and compared with figures attained from prior years operation, and are more fully explained as follows:

	March 2013	March 2012
Occupancy Rate	79.44%	63.26%
Average Room Rate	1,581.23	1,438.55
Revenues	120,149,798	147,742,352
Gross Operating Profit	48,894,551	77,745,369
Gross Operating Profit Ratio	40.69%	52.62%

 Occupancy rate is the number of hotel room-nights sold for the period divided by the number of room-nights available for the period, in 1Q2013 the total available rooms were 21,960 while 45,682 were available in 1Q2012; 2) Average room rate is the room revenue for the period divided by the number of hotel room-nights sold for the period; 3) Revénues are broken down on a departmental basis; 4) Gross operating profit ratio is computed as a percentage of revenues; and 5) Total Fixed, Financial and Other Charges are presented in the comparative.

#### FINANCIAL RISK MANAGEMENT

#### Risk Management Structure

#### BOD

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Company. It also has the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Company's approach to risk issues in order to make relevant decisions.

#### Risk Management Committee

Risk management committee is responsible for the comprehensive monitoring, evaluation and analysis of the Company's risks in line with the policies and limits set by the BOD.

#### Financial Risk Management Objectives and Policies

The Company's principal financial instruments consist of cash, AFS investment and loan payable. The main purpose of these financial instruments is to finance the Company's operations. The Company has various other financial instruments such as trade and other current receivables, trade and other current payables, obligations under finance lease, due from a related party, and concessionaires' and other deposits which arise directly from operations. The main risks arising from the financial instruments of the Company are interest rate risk, credit risk, liquidity risk, foreign currency risk and price risk. The Company's management reviews and approves policies for managing each of these risks, and these are summarized below.

#### Credit Risk

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

The Company trades only with recognized, creditworthy third parties. It is the Company'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 Company's exposure to bad debts is not significant. The Company grants advances to its affiliates after the BOD reassesses the Company's strategies for managing credits and views that they remain appropriate for the Company's circumstances.

The amounts presented in the statements of financial position are net of allowances for impairment losses on receivables, estimated by the Company's management based on prior experience and its assessment of the current economic environment.

With respect to credit risk from other financial assets of the Company, which mainly comprise of cash, amounts owed by related parties and receivables from Acesite Limited (BVI), the exposure of the 'Company to credit risk arises from the default of the counterparty, with maximum exposure equal to the carrying amount of these instruments.

At the reporting date, other than the receivables from related parties and Acesite Limited (BVI), there were no significant concentrations of credit risk.

#### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due because of an inability to liquidate assets or obtain adequate funding. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of the financial assets and financial liabilities.

SEC Form 17-Q Third Quarter of 2013 The Company monitors and maintains a level of cash deemed adequate by the management to finance the Company's operations and mitigate the effects of fluctuations in cash flows. Additional short-term funding is obtained from related party advances and short-term bank loans, when necessary.

Ultimate responsibility for liquidity risk management rests with the BOD, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company manages liquidity risk by maintaining adequate reserves, continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and liabilities.

#### Market Risks

Market risk is the risk that the fair value or cash flows of a financial instrument of the Company will fluctuate due to change in market prices. Market risk reflects interest rate risk, foreign 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.

#### Foreign Currency Risk

Foreign currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency.

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

# Equity Price Risk

The Company is exposed to equity price risk because of its investment in shares of stock of Wellex Industries inc. held by the Company which is classified in the statements of financial position as AFS investment. These securities are listed in the PSE. The Company has an outstanding investment in these securities equivalent to 86,710,000 shares as of March 31, 2013.

#### Capital Risk Management

The primary objective of the Company'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. The Company's overall strategy remains unchanged.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or process as of 31 March 2013. For purposes of the Company's capital management, capital includes all the equity items presented in the statements of changes in equity.

The total liabilities to total equity ratio of the Company as of the reporting periods, which have been within the Company's acceptable range.

#### Financial Instruments

#### Fair Value of Financial Assets and Liabilities

The carrying values of cash, trade and other current receivables, amounts owed by related parties, loan payable, trade and other current payables and accrued interest on obligations under finance lease approximate their fair values due to the short-term maturity of these investments.

#### Fair value hierarchy

The table below analyzes financial instruments carried at fair value by valuation levels. 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).

#### Determination of Fair Value

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

#### PART II - OTHER INFORMATION

The registrant is not aware of any other information that should be reported under this item and which was not discussed on any SEC Form 17-C.

The following were the disclosures outside of SEC Form 17-C

January 30, 2012	Reply to PSE letter regarding updates on Stock Dividends, Certificate
	of Attachdance of Planckon and Paradiana and State of Sta

of Attendance of Directors and Compliance with Manual of Corporate Governance

January 31 & February 17, 2012-Statement of changes in beneficial ownership of securities

(SEC 23-B)

May 28, 2012 - Approval of Increase of Capital stock/record date
May 29, 2012 - Reply to PSE regarding unusual price movement

June 11, 2012 - Notice of Stockholder's Meeting and notice of payment date of stock

dividends

June 19, 2012 - Letter to PSE regarding stock dividend adjustment

July 18, 2012 - Notice of Change of venue of Stockholders' meeting

August 9, 2012 - Reply to PSE letter regarding unusual price movement

August 10, 2012 - Results of Stockholders' and organization meeting of the board

September 6, 2012 - General Information Sheet

October 16, 2012 - Guidelines of the Assessment of the Performance of Audit

Committees

#### 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.

AGESITE (PHILS.) HOTEL CORPORATION

ELVIRA A TING Treasurer/and/Chief Financial Officer/Authorized Representative 2 July 2013

# ADDITIONAL REQUIREMENT (SRC Rule 68)

A schedule showing financial soundness indicators in two comparative period:

## CURRENT / LIQUIDITY RATIO

Current Ratio	March 31, 2012	December 31, 2012
Current Assets	505,522,558	629,941,949
Current Liabilities	443,117,196	531,540,175
Ratio	1,1408	1,1851

Quick Ratio	March 31, 2012	December 31, 2012
Cash+AR+ST Mkt Securities	49,098,905	36,835,604
Current Liabilities	443,117,196	531,540,175
Ratio	0.1108	0.0693

Cash Ratio	March 31, 2012	December 31, 2012
Cash+ST Mkt Securities	15,796,460	6,824,371
Current Liabilities	443,117,196	531,540,175
Ratio	0.0356	0.0128

#### SOLVENCY RATIO

Current Liabilities to Equity Ratio	March 31, 2012	December 31, 2012
Current Liabilities	443,117,196	531,540,175
Total Equity	1,124,876,892	1,121,698,119
Ratio	0.3939	0.4739

Total Liabilities to Equity Ratio	March 31, 2012	December 31, 2012
Total Liabilities	1,336,258,623	1,422,905,469
Total Equity	1,124,876,892	1,121,698,119
Rato	1 1879	1.2685

Fixed Assets to Equity Ratio	March 31, 2012	December 31, 2012
Fixed Assets	1,848,102,714	1,789,594,851
Total Equity	1,124,876,892	1,121,698,119
Ratio	1.6429	1.5954

Assets to Equity Ratio	March 31, 2012	December 31, 2012
Total Assets	2,461,135,515	2,544,603,588
Total Equity	1,124,876,892	1,121,698,119
Ratio	2.1879	2.2685

#### INTEREST COVERAGE RATIO

Interest Coverage Ratio	March 31, 2012	December 31, 2012
Net Income Before Tax + Interest Exp	6,225,918	64,332,683
Interest Expense	3,047,144	13,979,115
Ratio	2.0432	4.6021

SEC Form 17-Q Third Quarter of 2013

# PROFITABILITY RATIO

Interest Coverage Ratio	March 31, 2012	December 31, 2012
Net Income After Tax	3,178,773	35,138,838
Net Sales	120,149,798	536,502,865
Ratio	0.0265	0.0655

Return on Assets (ROA) Ratio	March 31, 2012	December 31, 2012
Net Income After Tax	3,178,773	35,138,838
Total Assets	2,461,135,515	2,544,603,588
Ratio	0.0013	0.0138

Return on Equity Ratio	March 31, 2012	December 31, 2012
Net Income After Tax	3,178,773	35,138,838
Total Equity	1,124,876,892	1,121,698,119
Ratio	0.0028	- 0.0313

14

# ACESITE (PHILS.) HOTEL CORPORATION [Owner of Manila Pavilion Hotel] CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2013	December 31, 2012
Control of the Contro	Consolidated	Consolidated
ASSETS		
Current Assets		
Cash	15,796,460	6,824,371
Trade and other current receivables - net	33,302,445	30,011,233
Inventories	8,753,564	6,845,798
Due from a related party - net	417,038,853	572,051,985
Prepayments and other current assets	30,631,236	14,208,562
Total Current Assets	505,522,558	629,941,94
Noncurrent Assets		
Property and equipment - net	1,848,102,714	1,789,594,851
Available-for-sale (AFS) investment	26,013,000	26,013,000
Investment in subsidiary	words the product of	
Other noncurrent assets	81,497,243	99,053,788
Total Noncurrent Assets	1,955,612,958	1,914,661,639
Total Assets	2,461,135,515	2,544,603,588
Current Liabilities Trade and other current payables Loan payable Due to subsidiary Income tax payable Total Current Liabilities Noncurrent Liabilities Noncurrent portion of rentals received in ac		213,716,466 314,128,747 3,694,962 531,540,179
Concessionaires and deposits	97,554,708	97,554,706
Retirement liability	146,188,060	143,930,110
Deferred tax liabilities - net	318,177,113	318,658,930
Total Noncurrent Liabilities	893,141,427	891,365,294
Total Liabilities	1,336,258,623	1,422,905,469
Equity Capital stock Revaluation surplus in property and equipm Unrealized valuation gain (loss) on AFS inv		346,100,520 543,799,692 13,762,530
Retained earnings	133,255,850	130,077,077
Treasury stock at cost	(12,041,700)	(12,041,700
Total Equity	1,124,876,892	1,121,698,119
The state of the s	2,461,135,515	2,544,603,588

## ACESITE (PHILS.) HOTEL CORPORATION COMPARATIVE STATEMENTS OF INCOME FOR THE QUARTER ENDING March 31, 2013 (With Comparative Figures for March 31, 2012)

	QUARTER ENDED 31-Mar-13	QUARTER ENDED 31-Mar-12
INCOME		
Rooms	27.893.100	41,852,311
Food and Beverage	23.024.502	40.857.624
Telephone Exchange	127.056	246,959
Other Operated Departments	417.936	565.547
Rent and Other Income	68.687.204	64,419,911
	120.149.798	147,742,352
COST OF SALES AND SERVICES	100/110/100	20010-2002
Cost of Sales:		
Food and Beverage	11,178,939	14,042,251
Telephone Exchange	2,437,045	1,898,040
Other Operated Departments	44,437	73,300
Rental and Other Income	44,457	73,300
	12 000 424	
D	13,650,421	15,811,591
Payroll and Related Expenses	20,487,662	20,444,924
Other Expenses	8,246,853	10,163,081
	42,394,936	46,419,596
Energy Cost	15,827,868	15,025,632
Property operations and maintenance	7,706,208	5,447,014
Depreciation on cost	4,823,110	3,104,741
Land rental	703,125	0
	71,255,247	69,996,983
GROSS OPERATING PROFIT	48,894,551	77,745,369
FIXED, FINANCIAL, OPERATING AND OTHER EXPEN	ere	
General and Administrative Expenses	19,013,916	27,459,062
Marketing and Guest Entertainment	2,306,777	2,049,458
Foreign Exchange (Gain) Loss	(2,065,111)	(4,441,411)
Interest Expense	3.047,144	3,352,799
Corporate Expenses	3,721,822	15,270,423
Real Estate Tax	2,912,074	2,877,243
Fire Insurance		12535G1, U059104F6, 1
Interest and Other Charges/(Income)-Net	1,329,222	1,156,777
stretest and Other Charges/Income/Net	47,155	60,125
INCOME A DOCK DESCRIP DESCRIPTION	30,313,000	47,784,478
INCOME (LOSS) BEFORE DEPRECIATION ON REVALUATION INCREMENT AND INCOME TAX	18,581,551	29,960,891
DEPRECIATION - REVALUATION INCREMENT	15,402,778	15,402,778
INCOME (LOSS) BEFORE INCOME TAX	3,178,773	14,558,113
PROVISION FOR INCOME TAX	0	(902,740)
NET INCOME (LOSS)	3,178,773	13,655,373
OTHER COMPREHENSIVE INCOME (LOSS)		
Appraisal increase in property and equipment for the y	0	0
	100	
Unrealized Loss on AFS investment recognized for the	0	0
Income tax on other comprehensive income	0	0
	0	0
TOTAL COMPREHENSIVE INCOME (LOSS)	3,178,773	13,656,373
Net Income(Loss)	3,178,773	13,655,373
no. of shares issued (Note 5)	344,747,520	98,499,308
INCOMF(LOSS) PER SHARE	P0.01	P0.14

#### ACESITE (PHILS.) HOTEL CORPORATION STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY FOR NINE MONTH ENDING March 31, 2013

	CAPITAL STOCK COMMON	TREASURY SHARES	REVALUATION INCREMENT IN PROPERTY AND EQUIPMENT	UNREALIZED VALUATION LOSS ON AFS INVESTMENTS	RETAINED EARNINGS	TOTAL
Balance at December 31, 2012	346,100,520	(12,041,700)	643,799,692	13,762,530	130,077,077	1,121,696,119
Transfer of revaluation increment deducted from operations through additional depreciation charges  Net income (loss) for the nine months			(15,402,778)		15,402,778 3,178,773	3,178,773
Balance at March 31, 2013	346,100,520	(12,041,700)	628,396,915	13,762,530	148,658,628	1,124,876,892
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE NINE MONTH ENDING SEPTEMBER 30, 2010						
Balance at December 31, 2011	99,852,308	(12,041,700)	676,323,386	10,727,680	308,662,757	1,083,524,431
Transfer of revaluation increment deducted from operations through additional depreciation charges.	5		(15,402,778)		15,402,778	D
Net income (loss) for the nine months					14,558,113	14,558,113
Balance at March 31, 2012	99,852,308	(12,041,700)	660,920,609	10,727,680	338,623,648	1,098,082,544

# ACESITE (PHILS.) HOTEL CORPORATION STATEMENT OF CASH FLOWS FOR THE QUARTER ENDING March 31, 2013 (With Comparative Figures forMarch 31, 2012)

(With Comparative Figures forMarch 31, 2012)	QUARTER ENDED 31-Mar-13	QUARTER ENDED 31-Mar-12
CASH FLOW FROM OPERATING ACTIVITIES		
Income(Loss) before income tax	3,178,773	14,558,113
Adjustments for:		
Depreciation	19,519,584	18,507,519
Interest Expense	3,047,144	3,352,799
Unrealized foreign exchange loss	(2,065,111)	(4,441,411)
Amortization of operating equipment	706,303	0
Provision for doubtful accounts	(2,476,274)	(3,450,027)
Interest income	0	0
Loss on sale of equipment	0	0
Operating income before working capital changes	21,910,420	28,526,994
Decrease (increase) in:	21,510,100	- Community of
Receivables	(62.594)	4,282,116
	(1,907,766)	1,199,814
Inventories	(16,742,483)	(5,277,599)
Prepaid expenses	(10,742,400)	(0,211,000)
Increase (decrease) in:	(75,548,149)	12,711,168
Accounts payable and accrued expenses	540,928	0
Advances from subsidiary	2,257,950	(2,448,889)
Retirement benefit plan obligation	2,201,103,	(2,440,000)
Concessionaires and other deposits	0	0
Rental paid in advance	(69,551,694)	38,993,603
Net cash generated from operations	(69,351,694)	30,000,000
Interest received	0	0
Income taxes paid	(00 554 604)	38,993,603
Net cash from operating activities	(69,551,694)	30,393,603
CASH FLOWS FROM INVESTING ACTIVITIES	455 049 499	(02.002.642)
Decrease (increase) in receivable from affiliates	155,013,132	(23,083,542)
Decrease (increase) in receivable from Acesite Ltd. (BVI)	0	(746,557)
Proceeds from sale of property and equipment	(70 700 754)	9703:03:00 (100 <b>3)</b>
Acquisition of property and equipment	(78,733,751)	(968,752)
Decrease (increase) in other assets	17,556,545	(27,582,744)
Net cash from (used) in investing activities	93,835,926	(52,381,595)
CASH FLOWS FROM FINANCING ACTIVITIES	110 005 000)	
Payment of loan	(12,265,000)	49 959 <b>7</b> 00
Interest paid	(3,047,144)	(3,352,799)
Increase (decrease) in contract payable	0	0
Increase (decrease) in lease rental payable (Cimar)	0	0
Cash used in financing activities	(15,312,144)	(3,352,799)
EFFECT OF EXCHANGE RATE CHANGES ON CASH		
AND CASH EQUIVALENTS	0	0
NET INCREASE (DECREASE IN CASH AND	B 000 055	(40.740.704
CASH EQUIVALENTS	8,972,089	(16,740,791
CASH AND CASH EQUIVALENTS, BEGINNING	6,824,371	28,257,128
CASH AND CASH EQUIVALENTS AT END OF PERIOD	15,796,460	11,516,337

# ACESITE (Philippines) Hotel Corporation Accounts Receivable Aging Summary As of March 2013

Classifications	Current	31-60	61-90	91-120	121 - Over	Total
CREDIT CARDS	771,261.65	2,900.00		100		774,161.65
CORPORATE	1,319,723.92	104,342.49	(566,351.30)	54,520.02	6,633,989.06	7,546,214.19
TIA LOCAL&Overseas	4,536,975.54	2,269,396.09	163,211.98	48,380.00	661,733.73	7,679,697.34
AIRLINES						107
EMPLOYEES LEDGER		25,008.93	42,670.24	677,987.13	(13,210.80)	732,455.50
DELINQUENT					2,338,632.99	2,338,632.99
GOVERNMENT	5,072,267.38	2,797,555.56	1,069,148.58	15,200.04	867,993.51	9,822,165.07
TENANTS	416,340.76	88,350.82	111,793.56	158,540.16	524,757.07	1,297,782.17
TOTAL	12,116,669.25	5,287,553.89	820,463.06	952,627.35	.11,013,895.56	30,191,108.91



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# SECURITIES AND EXCHANGE COMMISSION

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Industry Classification

Company Type Stock Corporation

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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	30 June 2013								
2,	Commission Identification Number	7199								
3.	BIR Tax Identification Code	002-856-627								
4.	ACESITE (PHILS.) HOTEL CORPOR	RATION								
	Exact Name of issuer as specified in	its charter								
5.	Manila, Philippines Province, country of incorporation	6. (SEC Use Only) Industry Classification Code								
7.	7º Floor Manila Pavilion Hotel, UN A	ive. corner M. Orosa St., Ermita, Manila, 1000								
4.0	Address of Principal Office and Posta	al Code								
		(632) 526-1212 extension 2403								
8.	Issuer's telephone number	(632) 526-1212 extension 2403								
9.	No changes from last report									
	Former name, former address, and for	ormer fiscal year, if changed since last report								
1835		tions 8 and 12 of the SPC or Sec. 4 and 8 of the RSA								
10.	Securities registered pursuant to Sec	ctions 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA								
		Number of Shares of Common Stock								
	Title of Each Class	Outstanding and								
		Amount of Debt Outstanding								
	Common - Authorized									
	- Issued	344,747.520								
	- Treasury	1,353,000								
	Preferred - Authorized	d 20,000								
	- Issued	None								
11.	Are any or all of registrant's securities	s listed on a Stock Exchange?								
	Yes [x]	No[]								
	246 100 520 of issued common sh	ares of Acesite (Phils.) Hotel Corporation are listed in the 1,353,000 shares are treasury shares.								
12.										
	thereunder or Section 11 a	d to be filed by Section 17 of the SRC and SRC Rule 17 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 on Code of the Philippines during the preceding twelve (12) or period that the registrant was required to file such reports);								
	Yes[x]	No [ ]								
	(b) Has been subjected to suc	ch filing requirements for the past ninety (90) days.								
	Yes [x]	No [ ]								
	- 100 CONT.									

#### NOTES TO INTERIM FINANCIAL STATEMENTS

## Item 1. Reporting Entity

Acesite (Phils.) Hotel Corporation (the "Company") is a 55.49%-owned subsidiary of Waterfront Philippines, Incorporated (WPI) and its ultimate parent is The Wellex Group, Inc. It was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 10, 1952 primarily to engage in the business of operating a hotel, or other accommodations, for the general public and to construct such facilities as may be reasonably necessary or useful in connection with the same.

The Company is the owner of Manila Pavilion Hotel (the "Hotel"). The Corporate life of the Company has been extended up to 2052. The Company's shares have been listed in the Philippine Stock Exchange (PSE) since December 5, 1986.

#### Office Address

The Company's registered office address is 7th Floor, Manila Pavilion Hotel, United Nations Avenue, Ermita, Manila.

#### Item 2. Basis of Preparation

#### Statement of Compliance

The interim financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The financial statements of the Company as of and for the period anded June 30, 2013 were approved and authorized for issue by the Board of Directors (BOD) on July 15, 2013.

#### Basis of Measurement

The interim financial statements are prepared on the historical cost basis except for hotel building and equipment and furniture, fixtures and equipment, which are measured at revalued amounts less accumulated depreciation and impairment losses, and AFS investment, which is measured at fair value.

#### Functional and Presentation Currency

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

#### Use of Estimates and Judgments

The preparation of interim financial statements in conformity 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 and disclosure of contingent assets and contingent liabilities. 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 any future periods affected.

#### Item 3. Summary of Significant Accounting Policies

The same accounting policies have been applied consistently for interim reporting as applied in the entity's annual financial.

The Company does not plan to adopt the PFRS 9, Financial Instruments, early and the extent of the impact has not been determined. The Company will adopt the standard on January 1, 2015.

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.

#### PAS 28

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.

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

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

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

it should not restate the borrowing cost component that was capitalized under previous GAAP; and

it should account for borrowing costs incurred on or after the date of transition (or an earlier date, as permitted by PAS 23 Borrowing Costs) in accordance with PAS 23. This includes those borrowing costs that have been incurred on qualifying assets already under construction at that date.

PFRS 7 - 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

SEC Form 17-Q Second Quarter of 2013 They include a tabular reconcilation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the statement of financial position.

#### PFRS 10, Consolidated Financial Statements

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

An investor controls an investee when:

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

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

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

#### PFRS 12. Disclosure of Interests in Other Entities

PFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate:

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

#### 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.

#### Itom 4. Cash and Cash Equivalents

included in cash and cash equivalents as of June 30, 2013 are composed mainly of cash deposited at various banks.

#### Item 5. Receivables

This account consists:

	June 2013	December 2012
Trade - Net	21,334,368	28,582,665
Others	7,253,534	1,428,568
Total	28,587,902	30,011,233

#### Item 6. Inventories

This account consists:

	June 2013	December 2012
Food and Beverage	4,142,853	2,985,505
Operating Supplies	2,836,582	2,645,109
Others	1,123,050	1,315,184
Total	8,102,485	6,845,798

#### Item 7. Accounts Payable and Accrued Expenses

This account consists:

	June 2013	December 2012
Accrued Expenses	64,337,479	68,308,887
Trade Payables	66,407,369	137,541,140
Others	7,053,083	7,865,439
Total	137,797,932	213,716,466

#### Item 8. Related Party Transactions

The Company's related party transactions include transactions with WPI (the Company's parent), stockholders, its fellow subsidiaries and key management personnel.

In the ordinary course of business, companies within 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.

#### Item 9. Loan Payable

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. In 2010, the Company made a partial loan payment amounting to US\$50,000 or P2,259,904. For the year 2012 a total of US\$749,800 or P31,310,150 partial loan payment was made. Another partial loan payment totaling to US\$500,000 or P20,719,500 as of end the 2<sup>rd</sup> otr of 2013. As of the date of this report, management is still negotiating with ICBC for the rescheduling of payments of the Company's overdue loan principal installments totaling US\$7.13 million. In the absence of ICBC's formal agreement to the proposed restructuring, the entire balance of the loan has been classified as a current liability in the Company's statements of financial position as of December 31, 2012, 2011 and 2010.

#### Item 10. The earnings (loss) per share is computed as follows:

	June 2013	June 2012
Net Income (Loss)	(10,534,125)	11,947,869
Weighted Average Number of Shares Outstanding	344,747,520	344,747,520
Earnings (Loss) per share	(P0.03)	0.03

- The Company is involved in a number of legal cases (labor and civil). However, adverse judgments on these will not affect the short-term liquidity of the Company. For such contingencies, management has provided adequate reserves.
  - Aside from the above-mentioned items, management does not know of trends and events that would have a material impact on the Company's liquidity
- Aside from the above-mentioned items, the company does not know of other material events that will trigger direct or material contingent financial obligation to the company.
- iii. There are no off-balance sheet transactions, arrangements, obligations and other relationships of the company with unconsolidated or other persons created during the reporting period.
- iv. The business declined in the 2nd quarter of 2013 as the hotel trends in the bay area also dips.
- For the Second quarter of 2013, there are no material or significant elements of income or loss that did not arise from the Company's continuing operations.
- vi. Causes of material changes in the items in the financial statements from 2012 to 2013 have been discussed under management discussion and analysis above.
- vii. Causes of material changes in the items in the income statements for the 2<sup>nt</sup> quarter of 2012 and 2013, and the balance sheets as of 30 June 2013 and 31 December 2012 have been discussed under management discussion and analysis above.
- The company does not know of any seasonal aspects that had a material effect on the financial condition or results of operations.

# MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

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

#### RESULTS OF OPERATIONS

## Quarter Ended 30 June 2013 and Quarter Ended 30 June 2012

Gross revenues registered a decrease of P18.56 million from P139.64 million in the 2nd quarter of 2012 to P121.08 million during the same comparative period in 2013. Room sales went down by 19.19% from P38.12 million in 2Q2012 to P30.80 million in 2Q2013. Occupancy rate in 2Q2013 was 39.62% from a total of 39,300 available rooms as compared to the 53.74% in 2Q2012 from a total of 45,682 available rooms. Room revenue represents 25.44% of gross revenues for 2Q2013 compared to 27.30% in 2Q2012. Average room rate of 2Q2013 is P1,978.39, P425.54 or 27.40% higher than P1,552.85 of the same period in 2012.

SEC Form 17-Q Second Quarter of 2013 Food and Beverage revenue for 2Q2013 amounted to R21.13 million, a decrease of 42.44% from P36.71 million in 2Q2012 resulting from the lower house occupancy due to closing down of four old floors and closure of Peony and Rotisserie outlets. Food and beverages sales contributed 17.45% to gross revenues. Revenues generated by other operating departments including Telephone department went down by 31.56% from P0.775 million in 2Q2012 to P0.530 million in 2Q2013. Rent and other income has increase by 7.15% from P64.03 million in 2Q2012 to P68.61 million in 2Q2013.

Cost of sales of food and beverage decreased from P14.44 million in 2Q2012 to P9.62 million in 2Q2013 representing a decrease of 33.39%. The food and beverage cost ratio to revenue has increased from 39.34% in 2Q2012 to 45.53% in 2Q2013 due to the decrease in breakfast covers that resulted to lower revenue. Though buffet presentation and food selections have improved revenue has not picked up. Payroll expenses which accounted for the bulk of Cost of Sales and Services at 31.18% showed a decrease of P0.622 million from P20.58 million in 2Q2012 to P19.95 million in 2Q2013. Other expenses went down from P9.54 million in 2Q2012 to P6.78 million in 2Q2013. The Energy cost went down by 15.16% from P16.13 million in 2Q2012 to P13.68 million in 2Q2013. Property operations and maintenance cost increased from P6.70 million in 2Q2012 to P7.40 million in 2Q2013 due to the expenses incurred for the chiller repairs, epoxy injection on wall cracks at 21<sup>st</sup> floor and repainting project of 23<sup>st</sup> floor of the building.

The Company posted a gross operating profit of P57.07 million in 2Q2013, representing a decrease of P8.68 million or 13.20% from that recorded in 2Q2012 of P65.75 million. Gross operating profit ratio in 2Q2013 and 2Q2012 stood at 47.14% and 47.09%, respectively.

Fixed financial, operating and other expenses increased from P34.61 million in 2Q2012 to P52.20 million in 2Q2013 as foreign exchange loss surged to P16.44 million. The slight decrease of general and administrative expenses from P20.85 million in 2Q2012 to P20.29 million in 2Q2013 was due to lower credit card commission, data processing cost and lower expenditure for labor relations. Marketing and guest entertainment increased by P0.172 million from P1.82 million in 2Q2012 to P2.00 million in 2Q2013. Foreign exchange loss of P16.44 million in 2Q2013 was due to the reinstatement of a foreign denominated bank loan at the rate of P43.54 as of June 30, 2013 against P42.37 as of June 30, 2012. Interest expense decreased from P3.35 million in 2Q2012 to P2.82 million in 2Q2013 due to the decrease in principal loan amount. Corporate Expenses decreased from P12.13 million in 2Q2012 to P6.41 million in 2Q2013 due to the provision for home office expense allocated last 2Q2012, the document stamp payment and other expenses related to the 250% stock dividends. For 2Q2013, the Company posted a net loss after tax of P10.53 million which decreased by 188.17% from net income of P11.95 million in 2Q2012.

#### FINANCIAL CONDITION

As of 30 June 2013 and Year Ended 31 December 2012

Total assets decreased to P2.49 billion by 30 June 2013 from P2.54 billion as of 31 December 2012. Current assets decreased from P629.94 million as of 31 December 2012 to P539 million as of end of 2Q2013. Cash ending balance as of 30 June 2013 of P7.03 million posted an increase of P0.203 million. Trade receivables of P28.59 million decreased by P1.42 million as of 30 June 2013 from P30.01 million as of 31 December 2012 due to the decrease in total hotel revenue. Inventories increased by P1.26 million from P6.84 million as of 31 December 2012 to P8.10 million as of end of 2Q2013. Net amounts owed by related parties decreased from P572.05 million as of 31 December 2012 to P462.94 million as of 30 June 2013. Prepayments and other current assets increased to P32.36 million as of 30 June 2013 from P14.21 million as of 31 December 2012 due to unused input VAT on purchases and service contracts pertinent to the renovation project.

Property and equipment account increased by 2.83% from P1.79 billion as of 31 December 2012 to P1.84 billion as of 30 June 2013 mainly due to the increase in construction in progress account pertaining to the renovation project. No changes have been noted from the Available for Sale investment account from 31 December 2012 to the 2Q2013. Other non-current assets of P83.76 million as of end of 2Q2013 represents a decrease by P15.29 million from P99.05 million as of 31

December 2012 due to the reclassification to specific expense or asset account of the 50% down payment on purchases which were already delivered and settled.

Total liabilities decreased from R1.42 billion as of 31 December 2012 to R1.37 billion as of 30 June 2013. Trade and other current payables decreased from R213.72 million as of 31 December 2012 to R137.80 million as of 30 June 2013. Loan payable to Industrial and Commercial Bank of China (ICBC) representing 22.55% of the total liabilities decreased to R309.96 million as of 30 June 2013 from R314.13 million as of 31 December 2012, due to the partial settlement of principal loan amount totaling to US\$0.2 million or R8.45 million for the 2Q2013. Due to Subsidiary account of R0.672 million represents the lease rental payable to Cima Realty pursuant to the operating lease contract. The R3.70 million income tax payable pertaining to 2012 was settled last April 15, 2013 while the balance of R0.246 million as of 30 June 2013 pertains to the income tax payable of Cima Realty for the year ending March 31, 2013 that was settled July 15, 2013.

The Company and PAGCOR have entered into a contract known as the Omnibus Amended Lease Contract (OALC) which requires advance rental. The balance of the outstanding rentals received in advance based on the expected dates of application against the rental due is P331.22 million as of 31 December 2012. An additional advance rental of P29.47 million was received in the 2Q2013. Relative to the OALC, the existing refundable security deposit carried at its present value is P97.55 million as of the end of 2012 and 2Q2013.

#### TOP FIVE (5) PERFORMANCE INDICATORS

The top five (5) key performance indicators, as discussed herein, are presented on comparable basis and compared with figures attained from prior years operation, and are more fully explained as follows:

	June 2013	June 2012
Occupancy Rate	39.62%	53.74%
Average Room Rate	1,978.39	1,552.85
Revenues	121,076,318	139,638,166
Gross Operating Profit	57,073,458	65,753,384
Gross Operating Profit Ratio	47,14%	47.09%
Fixed, Financial, Operating and Other Expenses	52,204,805	34,610,817

1) Occupancy rate is the number of hotel room-nights sold for the period divided by the number of room-nights available for the period; in 2Q2013 the total available rooms were 39,300 while 45,682 were available in 2Q2012; 2) Average room rate is the room revenue for the period divided by the number of hotel room-nights sold for the period, 3) Revenues are broken down on a departmental basis; 4) Gross operating profit ratio is computed as a percentage of revenues; and 5) Total Fixed, Financial and Other Charges are presented in the comparative.

### FINANCIAL RISK MANAGEMENT

#### Risk Management Structure

#### BOD

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Company. It also has the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Company's approach to risk issues in order to make relevant decisions:

## Risk Management Committee

Risk management committee is responsible for the comprehensive monitoring, evaluation and analysis of the Company's risks in line with the policies and limits set by the BOD.

SEC Form 17-Q Second Quarter of 2013 8

Financial Risk Management Objectives and Policies

The Company's principal financial instruments consist of cash, AFS investment and loan payable. The main purpose of these financial instruments is to finance the Company's operations. The Company has various other financial instruments such as trade and other current receivables, trade and other current payables, obligations under finance lease, due from a related party, and concessionaires' and other deposits which arise directly from operations. The main risks arising from the financial instruments of the Company are interest rate risk, credit risk, liquidity risk, foreign currency risk and price risk. The Company's management reviews and approves policies for managing each of these risks, and these are summarized below.

Credit Risk

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

The Company trades only with recognized, creditworthy third parties. It is the Company'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 Company's exposure to bad debts is not significant. The Company grants advances to its affiliates after the BOD reassesses the Company's strategies for managing credits and views that they remain appropriate for the Company's circumstances.

The amounts presented in the statements of financial position are net of allowances for impairment losses on receivables, estimated by the Company's management based on prior experience and its assessment of the current economic environment.

With respect to credit risk from other financial assets of the Company, which mainly comprise of cash, amounts owed by related parties and receivables from Acesite Limited (BVI), the exposure of the Company to credit risk arises from the default of the counterparty, with maximum exposure equal to the carrying amount of these instruments.

At the reporting date, other than the receivables from related parties and Acesite Limited (BVI), there were no significant concentrations of credit risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due because of an inability to liquidate assets or obtain adequate funding. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of the financial assets and financial liabilities.

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

Ultimate responsibility for liquidity risk management rests with the BOD, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company manages liquidity risk by maintaining adequate reserves, continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Market Risks

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

SEC Form 17-Q Second Quarter of 2013 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.

Foreign Currency Risk

Foreign currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency.

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

Equity Price Risk

The Company is exposed to equity price risk because of its investment in shares of stock of Wellex Industries Inc. held by the Company which is classified in the statements of financial position as AFS investment. These securities are listed in the PSE. The Company has an outstanding investment in these securities equivalent to 86,710,000 shares as of June 30, 2013.

Capital Risk Management

The primary objective of the Company'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. The Company's overall strategy remains unchanged.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or process as of 30 June 2013. For purposes of the Company's capital management, capital includes all the equity items presented in the statements of changes in equity.

The total liabilities to total equity ratio of the Company as of the reporting periods, which have been within the Company's acceptable range.

#### Financial Instruments

Fair Value of Financial Assets and Liabilities

The carrying values of cash, trade and other current receivables, amounts owed by related parties, to loan payable, trade and other current payables and accrued interest on obligations under finance lease approximate their fair values due to the short-term maturity of these investments.

Fair value hierarchy

The table below analyzes financial instruments carried at fair value by valuation levels. 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).

Determination of Fair Value

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

SEC Form 17-Q Second Quarter of 2013

#### PART II - OTHER INFORMATION

The registrant is not aware of any other information that should be reported under this item and which was not discussed on any SEC Form 17-C.

The following were the disclosures outside of SEC Form 17-C

February 25 & 28, 2013 -

Resignation / Election of Director

March 4, 2013

Initial Statement of Beneficial Ownership of Securities

March 20, 2013 -

Press Release: Manila Pavillon Hotel Launches P500M Room

Redesign

July 31, 2013

Board Approval of Amendment of Article of Incorporation

(Corporate/Business Name: Waterfront Manila Pavilion Hotel /Manila

Pavilion Hotel)

#### **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.

ACESITE (PHILS.) HOTEL CORPORATION

By:

ELVIRA DETINIS

Treasurer and Chilef Financial Officer/Authorized Representative

6 August 2013

# ADDITIONAL REQUIREMENT (SRC Rule 68)

A schedule showing financial soundness indicators in two comparative period:

## CURRENT / LIQUIDITY RATIO

Current Ratio	June 30, 2013	December 31, 2012
Current Assets	539,008,799	629,941,949
Current Liabilities	448,678,427	531,540,175
Ratio	1.2013	1,1851

Quick Ratio	June 30, 2013	December 31, 2012
Cash+AR+ST Mkt Securities	35,615,410	36,835,604
Current Liabilities	448,678,427	531,540,175
Ratio	0.0794	0.0693

Cash Ratio	June 30, 2013	December 31, 2012
Cash+ST Mkt Securities	7,027,508	6,824,371
Current Liabilities	448,678,427	531,540,175
Ratio	0.0157	0.0128

## SOLVENCY RATIO

Current Liabilities to Equity Ratio	June 30, 2013	December 31, 2012
Current Liabilities	448,678,427	531,540,175
Total Equity	1,114,342,767	1,121,698,119
Ratio	0.4026	0.4739

Total Liabilities to Equity Ratio	June 30, 2013	December 31, 2012
Total Liabilities	1,374,657,453	1,422,905,469
Total Equity	1,114.342,767	1,121,698,119
Ratio	1.2336	1,2685

Fixed Assets to Equity Ratio	June 30, 2013	December 31, 2012
Fixed Assets	1,840,215,941	1,789,594,851
Total Equity	1,114,342,767	1,121,698,119
Ratio	1.6514	1.5954

	1	D
Assets to Equity Ratio	June 30, 2013	December 31, 2012
Total Assets	2,489,000,220	2,544,603,588
Total Equity	1,114,342,767	1,121,698,119
Ratio	2.2336	2.2685

## INTEREST COVERAGE RATIO

Interest Coverage Ratio	June 30, 2013	December 31, 2012	
Net Income Before Tax + Interest Exp	(1,492,224)	64,332,683	
Interest Expense	5,863,128	13,979,115	
Ratio	(0.2545)	4,6021	

SEC Ferm 17-Q Second Quarter of 2013

## PROFITABILITY RATIO

Interest Coverage Ratio	June 30, 2013	December 31, 2012
Net Income After Tax	(7,355,352)	35,138,838
Net Sales	241,226,116	536,502,865
Ratio	(0.0305)	0.0655

Return on Assets (ROA) Ratio	June 30, 2013	December 31, 2012	
Net Income After Tax	(7,355,352)	35,138,838	
Total Assets	2,489,000,220	2,544,603,588	
Ratio	(0.0030)	0.0138	

Return on Equity Ratio	June 30, 2013	December 31, 2012		
Net Income After Tax	(7,355,352)	35,138,838		
Total Equity	1,114,342,767	1,121,698,119		
Ratio	(0.0066)	0.0313		

# ACESITE (PHILS.) HOTEL CORPORATION [Owner of Manila Pavillon Hotel] CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	June 30, 2013	December 31, 2012
		Consolidated	Consolidated
ASSETS			
Current Assets			
Cash		7,027,508	6,824,371
Trade and other current receivables - net	5, 24	28,587,902	30,011,233
Inventories	6.00	8,102,485	6,845,798
Due from a related party - net	10a	462,939,958	572,051,985
Prepayments and other current assets		32,350,946	14,208,562
Total Current Assets		539,008,799	629,941,94
Noncurrent Assets	-300		
Property and equipment - net	8, 11	1,840,215,941	1,789,594,851
Available for-sale (AFS) investment	100	26,013,000	26,013,000
Other noncurrent assets		83,762,481	99,053,788
Total Noncurrent Assets	1000	1,949,991,421	1,914,661,639
Total Assets	- 1/4	2,489,000,220	2,544,603,58
5 T. S.			
LIABILITIES AND EQUITY			
Current Liabilities	20220	92000000000	245 212 (22
Trade and other current payables	9.00	137,797,932	213,716,466
Loan payable	11.00	309,962,327	314,128,747
Due to subsidiary	23a	671,687	
Income tax payable	19.00	248,482	3,694,962
Total Current Liabilities		448,678,427	531,540,17
Noncurrent Liabilities			
Noncurrent portion of rentals received in advance	23a	360,692,780	331,221,548
Concessionaires and deposits	23a	97,554,706	97,554,706
Retirement liability	18.00	149,754,232	143,930,110
Deferred tax liabilities - net	19.00	317,977,308	318,658,930
Total Noncurrent Liabilities		925,979,026	891,365,29
Total Liabilities		1,374,667,453	1,422,905,46
Equity			- W. 8516
Capital stock	12.00	346,100,520	346,100,520
Revaluation surplus in property and equipment	8.00	643,799,692	643,799,692
Unrealized valuation gain (loss) on AFS investment	10b	13,762,530	13,762,530
Retained earnings	13.00	122,721,725	130,077,077
Treasury stock at cost	12.00	(12,041,700)	(12,041,700
Total Equity		1,114,342,767	1,121,698,11
		2,489,000,220	2,544,603,58

ACESITE (PHILS.) HOTEL CORPORATION COMPARATIVE STATEMENTS OF INCOME FOR THE QUARTER ENDING June 30, 2013 (With Comparative Figures for June 30, 2012)

	QUARTER ENDED	YEAR TO DATE	QUARTER ENDED	PARTO DATE 30-Jun-12
	30-Jun-13	30-Jun-13	30-Jun-12	30-Jun-12
INCOME	200	2000000		20 774 500
Rooms	30,803,496	58,696,596	38,119,297	79,771,608
Food and Beverage	21,132,400	44,156,902	36,713,006	77,570,629
Telephone Exchange	95,767	222,822	214,459	461,418 1,125,922
Other Operated Departments	434,537	852,473	550,374	
Rent and Other Income	68,610,118	137,297,322	64,031,030	128,450,941
	121,076,318	241,226,116	139,638,168	287,380,518
COST OF SALES AND SERVICES				
Cost of Sales:	.00000000000000000000000000000000000000			*** **** ***
Food and Beverage	9.621,663	20,800,802	14,444,301	28,486,552
Telephone Exchange	649,943	3,086,988	1,938,704	3,834,744
Other Operated Departments	44,325	88,762	81,455	154,755
Rental and Other Income	- Same	- CARACIA	-	
	10,315,931	23,976.352	16,464,460	32,276,051
Payroll and Related Expenses	19,953,611	40,441,273	20,575,590	41,020,514
Other Expenses	6,784,241	15,031,094	9,648,229	19,711,310
N V V	37,063,783	79,445,719	46,588,279	93,007,675
Energy Cost	13,682,494	29,310,362	15,127,184	31,152,817
Property operations and maintenance	7,408.241	15,114,450	6,696,786	12,143,800
Decreciation on cost	5,155,217	9,978,327	3,133,248	6,237,989
Land rental	703,125	1,408,280	1,339,286	1,339,286
Lagrand That pools	64,002,860	135,258,107	73,884,782	143,881,766
GROSS OPERATING PROFIT	57,073,458	105,968,009	65,753.384	143,498,752
		1000000000	Accessor	
FIXED, FINANCIAL, OPERATING AND OTHER EXPE	NSES	90 907 754	20,847,244	48,306,306
General and Administrative Expenses	20,293,439	39,307,354	1,823,229	3,872,687
Marketing and Guest Entertainment	1,995,080	4,301,857	(7,595,749)	(12,037,160)
Foreign Exchange (Gain) Loss	16,441,191	14,376,080	F - B - B - C - C - C - C - C - C - C - C	6,706,944
Interest Expense	2,815,984	5,863,128	3,354,145	27,404,298
Corporate Expenses	6,411,605	10,133,428	12,133,675	5,754,487
Real Estate Tax	2.877,243	5,789,317	2.877,243	750750355460
Fire Insurance	1,265,143	2,594,366	1,164,064	2,320,842
Interest and Other Charges/(Income)-Net	105,119	152,274	049977979	Cherol VI Chicago
	52,204,805	82,517,805	34,610,817	82,395,295
INCOME (LOSS) BEFORE DEPRECIATION		22 450 204	31,142,586	81,103,457
ON REVALUATION INCREMENT AND INCOME TA	4,868,663	23,450,204	31.142.000	31,102,101
DEPRECIATION - REVALUATION INCREMENT	15,402,778	30,805,556	15,402,778	30,805,666
INCOME (LOSS) BEFORE INCOME TAX	(10,534,125)	(7,355,352)	15,739,789	30,297,901
PROVISION FOR INCOME TAX	0	0	(3.791,920)	(3,464,694)
Marine Marine Surveyor	(10,534,125)	(7.355.352)	11,947,869	26,833,207
NET INCOME (LOSS)	(10,034,123)	(1.00.000.1)	11,041,000	
OTHER COMPREHENSIVE INCOME (LOSS)		3007	23	100
Appraisal increase in property and equipment for the	0	0	0	0
Unrealized Loss on AFS investment recognized for the	0	0	0	0
income tax on other comprehensive income	0	0	0	
	0	0	0	0
- Designation of the Control of the	(10,534,125)	(7,355,352)	11.947,869	26,833,207
TOTAL COMPREHENSIVE INCOME (LOSS)	[10,004,1607	THE RESERVE TO A SECOND		
The barrens of the par	1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 -	(TOEF DEW	11 047 990	26 222 207
Net Income(Loss)	(10.534,125)	(7,355,352)	11,947,889	26,833,207
The barrens of the par	1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 -	(7,355,352) 344,747,520	11,947,860 344,747,520	26,833,207 344,747,520

#### ACESITE (PHILS.) HOTEL CORPORATION STATEMENT OF CASH FLOWS FOR THE QUARTER ENDING June 30, 2013 (With Comparative Figures for June 30, 2012) QUARTER YEAR TO QUARTER YEAR TO ENDED DATE ENDED DATE 30-Jun-12 30-Jun-12 30-Jun-13 30-Jun-13 CASH FLOW FROM OPERATING ACTIVITIES 30 297 901 (7.355.352)14,052,819 (10.534.125) Income(Loss) before income tax Adjustments for: 19,862,405 39,381,989 18,342,389 37,043,544 Depreciation 3,323,313 6,706,944 5,863,128 2.515.984 Interest Expense (12,037,160) 14,376,080 (14,293,814) 16,441,191 Unrestized foreign exchange loss 1,401,893 895,590 Amortization of operating equipment (5,945,481) (3,644,964) (136,438) (2,612,712) Provision for doubtful accounts 0 D Interest income Loss on sale of equipment 58 366,266 51,056,027 15:482 228 29,144,607 Operating income before working capital changes Decrease (increase) in: 24,325,464 15,458,056 4.071,406 4,008,811 Receivables 805,817 300.977 651,079 (1,256,687) Inventories 1,652,078 (4,294,771) (1,653,858) (18.596, 121) Precaid expenses Increase (decrease) in: 17,987,513 (75,918,534) 3,476,585 (370,386) Accounts payable and accrued expenses (508, 180) (27, 232)Advances from subsidiary (749, 419)902,222 3,568,172 5,824,122 Retirement benefit plan obligation 0 0 0 Concessionaires and other deposits Rental paid in advance 44,892,747 64,112,313 (5,439,382) 88,700,262 Net cash generated from operations ŏ 0 Interest received (2,730,511) (2.730.511)(3,340,108) (3,340,106) Income taxes paid 85,969,751 (8,779,490)42 262,235 60,772,205 Not each from operating activities CASH FLOWS FROM INVESTING ACTIVITIES (47,111,513) 4.745.423 100 112 027 (45,901,105) Decrease (increase) in receivable from affiliates (435,427) [435,427] 0 Decrouse (increase) in receivable from Acesite Ltd. (BVI) 0 O Proceeds from sale of properly and equipment (23,780,929) (Z3.449,322) (91,404,972) (12,671,221) Acquisition of property and equipment 22,535,975 (45,791,895) 15,681,200 22,535,975 (1.875, 344)Decrease (increase) in other assets 33,388,255 3,395,643 Net cash from (used) in investing activities CASH FLOWS FROM FINANCING ACTIVITIES (60.447,671) (2.162,500) (2,182,500) (18,542,500)(6,277,500) Payment of loan (3,323,313) (6.706, 944)(5.863, 128) (2.815.984) Interest paid (44,221,189) (44, 221, 189) D Increase (decrease) in contract payable (1,458,844) 0 Increase (decrease) in lease rental payable (Cirnar) (63,090,633) (51,185,848) 9,003,454) (24.405,626) Cash used in financing activities EFFECT OF EXCHANGE RATE CHANGES ON CASH 0 Ô AND CASH EQUIVALENTS NET INCREASE (DECREASE IN CASH AND (5.506,962) (15.912.777) 203,137 (8,768,051) CASH EQUIVALENTS 6,824,371 7,027,508 7,027,508 34, 133, 204 28,257.128 CASH AND CASH EQUIVALENTS, BEGINNING CASH AND CASH EQUIVALENTS AT END OF PERIOD 12,344,351 28,625,243

#### ACESITE (PHILS.) HOTEL CORPORATION STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY FOR SIX MONTH ENDING June 30, 2013

	CAPITAL STOCK COMMON	TREASURY SHARES	REVALUATION INCREMENT IN PROPERTY AND EQUIPMENT	UNREALIZED VALUATION LOSS ON AFS INVESTMENTS	RETAINED EARNINGS	TOTAL
Balance at December 31, 2012	346,100,520	(12,041,700)	643,799,692	13,762,530	130,077,077	1,121,698,119
Transfer of revaluation increment deducted from operations through additional depreciation charges			(30,805,556)		30,805,556	
Net income (loss) for the six months					(7,355,352)	{7,355,352}
Balance at June 30, 2013	345,100,520	(12,041,700)	612,994,137	13,762,530	153,527,281	1,114,342,767
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE SIX MONTH ENDING June 30, 2012	,					
Balance at December 31, 2011	99,852,306	(12,041,700)	676,323,386	10,727,680	451,481,907	1,228,343,581
250% Stock Diveldends					(246,248,212)	(245,248,212)
Transfer of revaluation increment deducted from operations through additional						
depreciation charges			(30,805,556)		30,805.556	0
Net income (loss) for the six months					30,297,901	30,297,901
Balance at June 30, 2012	99,852,308	(12,041,700)	645,517,831	10,727,880	266,337,152	1,010,393,270

ACESITE (Philippines) Hotel Corporation Accounts Receivable Aging Summary As of June 30, 2013

Classifications	Current	31-60	61-90	91-120	121 - Over	Total
CREDIT CARDS	771,046.77				2	771,046.77
CORPORATE	822,625.57	319,443.63	(300,280.43)	(41,236.34)	6,013,455.52	6,814,007.95
T/A LOCAL & Overseas	2,171,913.68	1,045,364.78	314,959.80	89,652,92	579,512.85	4,201,404,03
AIRLINES				* :		
EMPLOYEES LEDGER			12	12	47,400.00	47,400.00
DELINQUENT				H-07-09-76-1	743,419.41	743,418.41
GOVERNMENT	4,487,894.70	2,957,335.08	834,325.19	453,334.01	802,193.51	9,535,082.49
TENANTS	246,877.41	121,554.77	120,240.35	4,451.54	449,387.34	942,491.41
TOTAL	8,500,358.13	4,443,698.26	969,244.91	506,202.13	8,635,348.63	23,054,852.06