ANNUAL REPORT 2013

ACESITE (PHILIPPINES) HOTEL CORPORATION

ACESITE (PHILIPPINES) HOTEL CORPORATION

July 31, 2014

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 5, 2014 at 4:00 p.m. at the Promenade, 7th Floor, G Hotel Manila By Waterfront, 2090 Roxas Boulevard, Malate, 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 September 6, 2013
4. Report to Stockholders for the Year 2013
5. Ratification of Acts of the Board and Management for 2013
6. Election of Board of Directors for the Ensuing Term
7. Appointment of External Auditor
8. Appointment of External Counsel
9. Amendment of the Articles of Incorporation
    a. 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"
    b. Amendment of Article THIRD to reflect the change in principal office address from "City of Manila, Philippines " to "7th Floor, Manila Pavilion Hotel, United Nations Avenue corner Maria Orosa Street, Ermita, Manila, Philippines"
10. Other Business
    a. (For Information) Amendment of Stock Rights Offering Entitlement Ratio from 0.58:1 to 1:1 in connection with Increase in Authorized Capital Stock from P1,210,000,000.00 to P2,010,000,000.00
11. Adjournment

The record date for the purpose of determining the stockholders who are entitled to vote in said stockholders' meeting is August 11, 2014. The stock and transfer book will be closed from August 11, 2014 to September 5, 2014

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

MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING OF ACESITE (PHILS.) HOTEL CORPORATION HELD ON SEPTEMBER 6, 2013 AT 4:00 P.M. AT PEONY GARDEN, THIRD FLOOR MANILA PAVILION HOTEL, ERMITA, MANILA

1. CALL TO ORDER

The meeting was called to order by Mr. Arthur Lopez, who presided as Chairman of the meeting while Atty. Arthur Ponsaran was tasked to record the minutes of the meeting. Atty. Ponsaran informed the Chairman that 212,047,704 shares out of the total outstanding shares were present in person or by proxy, constituting 61.27 % of the outstanding capital stock, and that a quorum existed for the transaction of any matter that may properly come before the body.

2. APPROVAL OF THE MINUTES OF THE PREVIOUS ANNUAL STOCKHOLDERS' MEETING

The stockholders were furnished with copies of the minutes of the stockholders' meeting held on August 10, 2012.

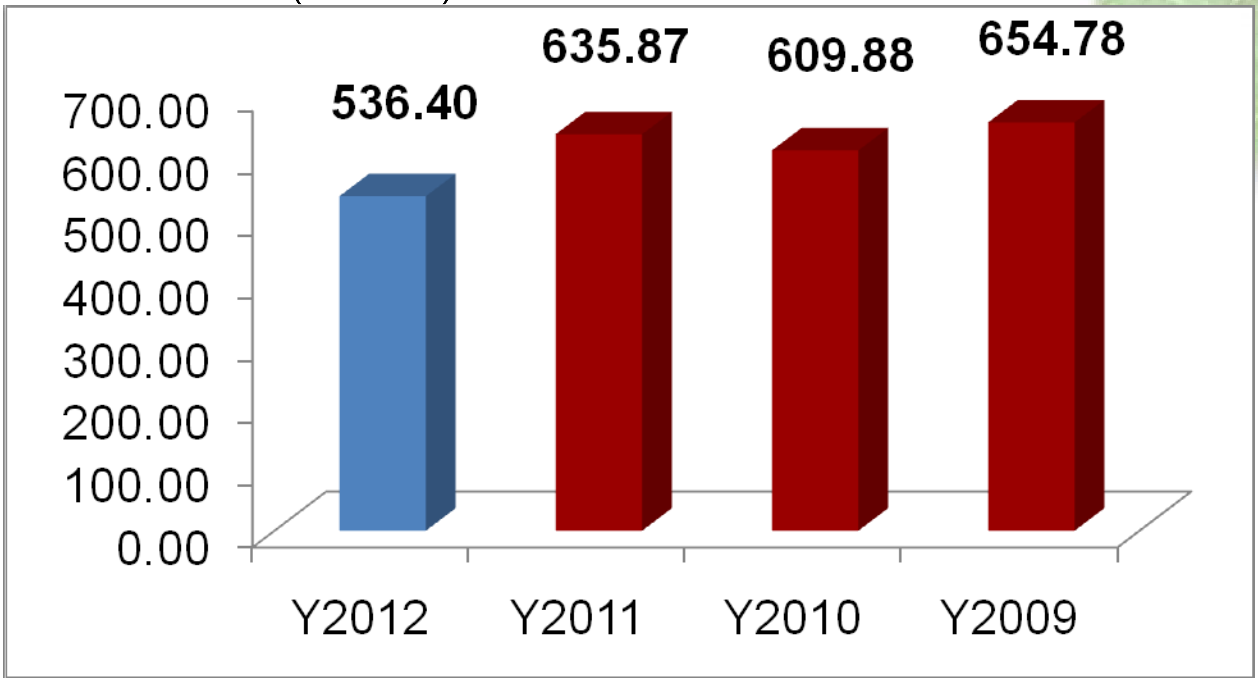
On motion duly made and seconded, the reading of the minutes of the annual meeting of the stockholders held on August 10, 2012 was dispensed with and the same was approved as recorded.

3. REPORT OF THE PRESIDENT

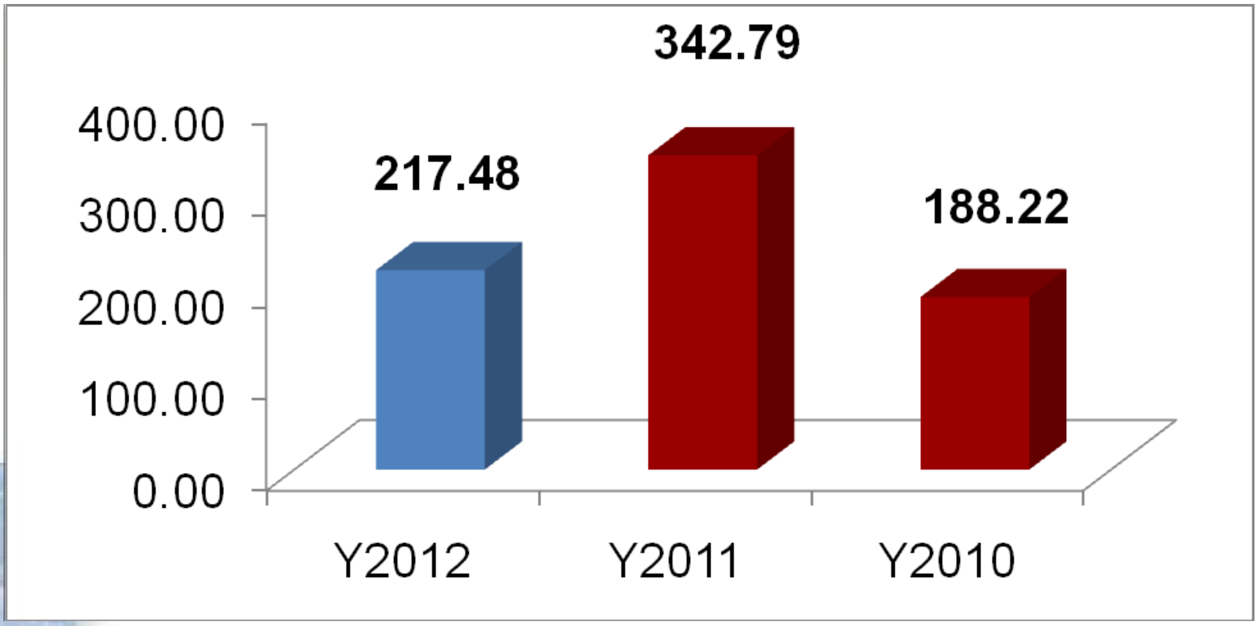
The President, Mr. Kenneth T. Gatchalian, presented the highlights of the Company's performance for the year ended December 31, 2012.

He said the slight to modest increase in global tourism failed to completely mitigate negative regional factors influencing overall profitability.2012's Gross Revenue stood at PHP 536.5 million. Gross Operating Profit for the year was at PHP 217.48 million while NOP is PHP 35.14 million, reflecting an increase of 135% from 2011's negative PHP 99.47 million.

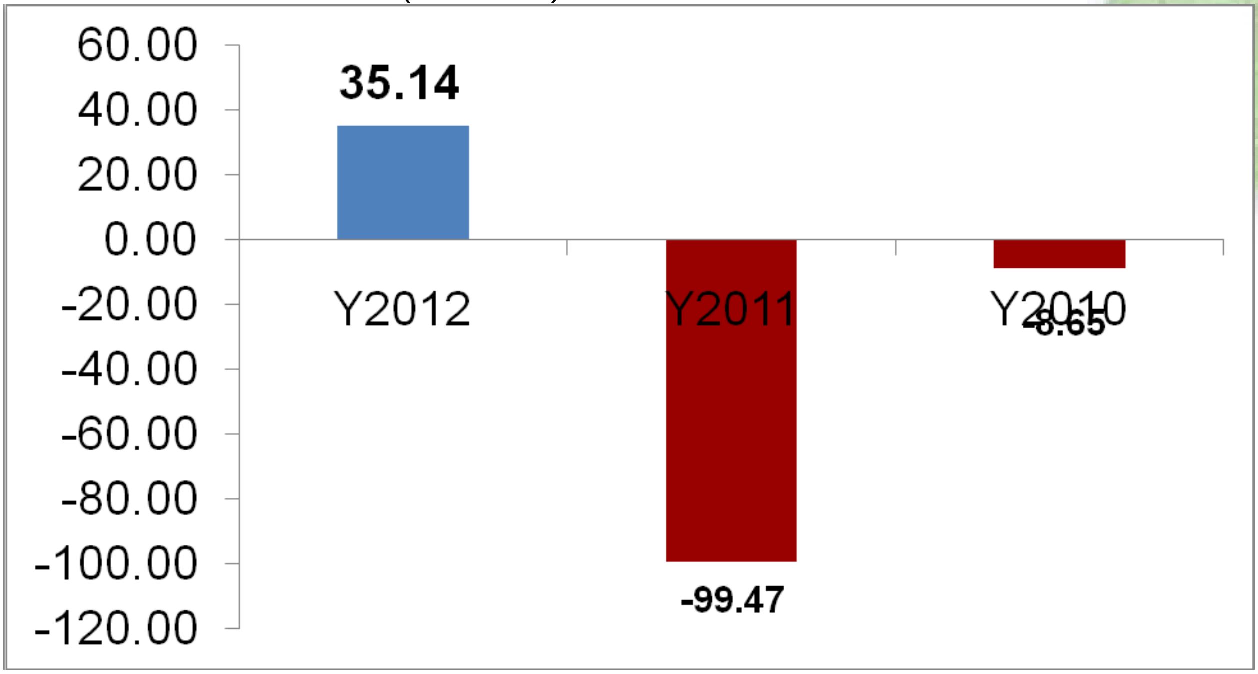
GROSS REVENUE (in millions)



GROSS OPERATING PROFIT (in millions)

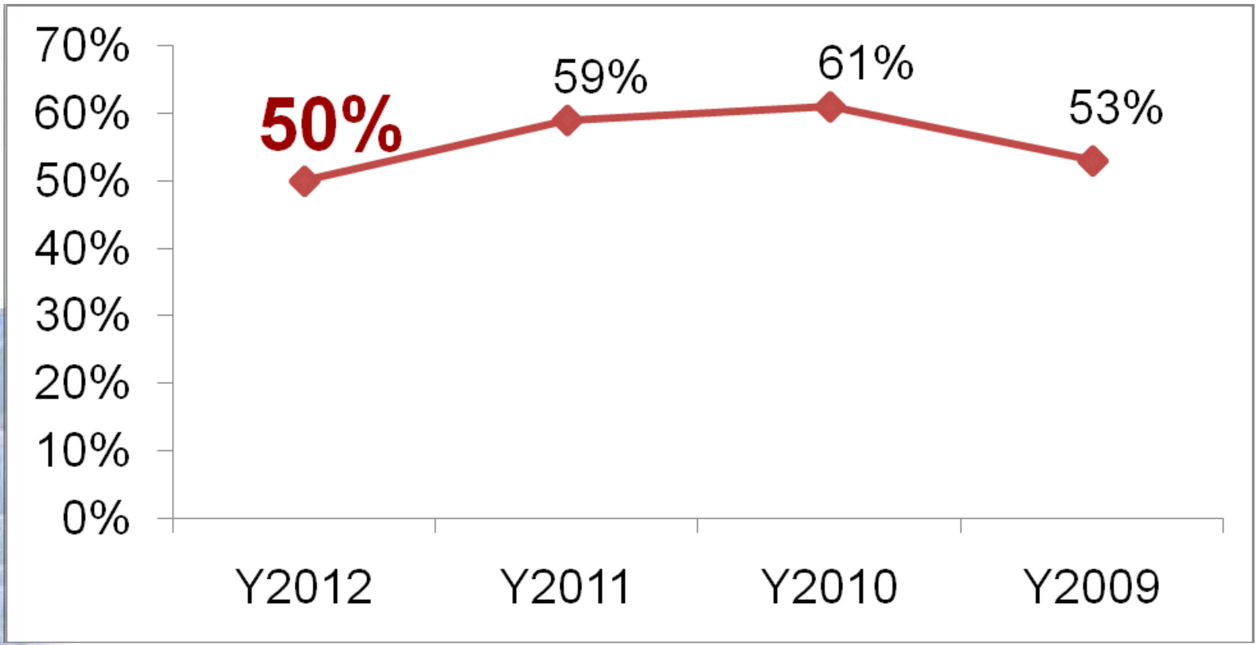


NET OPERATING PROFIT (in millions)

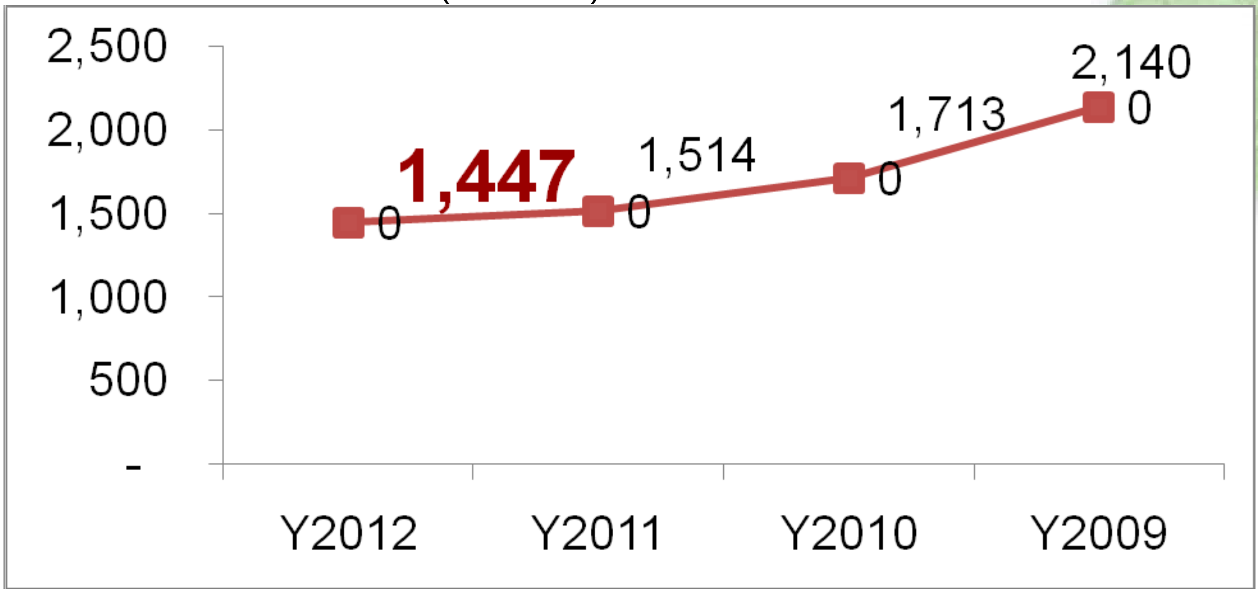


He said Rooms Performance is steady with average occupancy at 50.43%, an average room rate of PHP 1,446.95 and a RevPAR of PHP 729.71.Of the hotel's PHP 536.40 million revenue, 25% or PHP 134.07 million came from rooms, and 25% or PHP 133.43 million from F&B.

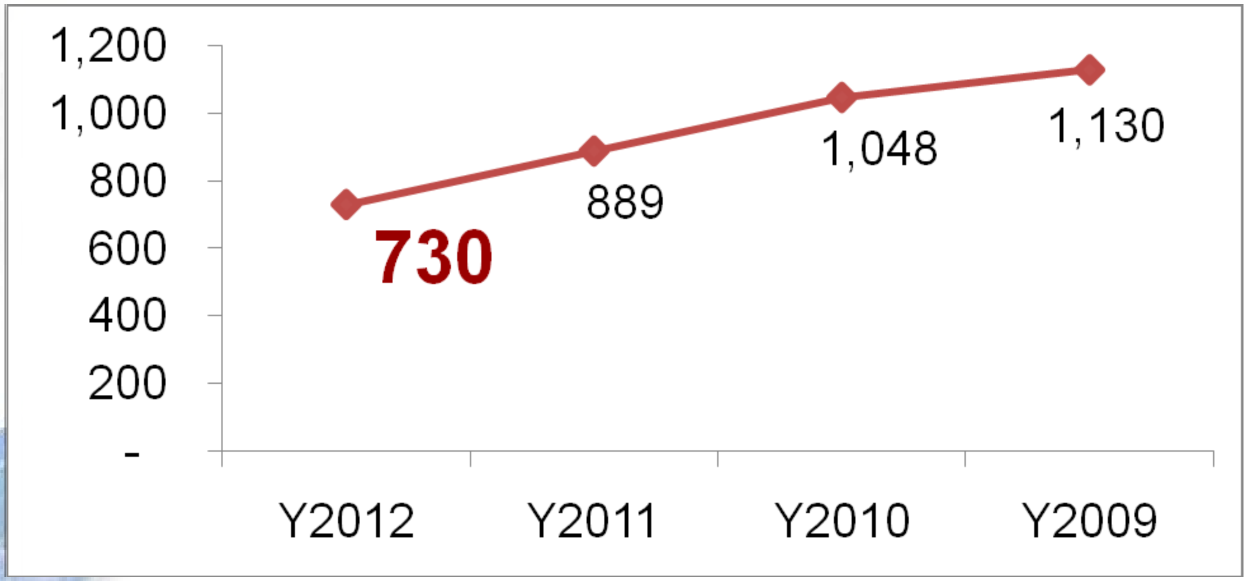
AVERAGE OCCUPANCY



AVERAGE ROOM REVENUE (in millions)



REVPAR



As with the previous year, he said the outlook remains cautiously optimistic. The Company is fully aware of our country's strained diplomatic relations with the Greater China Market (GCM), and distinctly recognizes the daunting effect this tension has on the Company and revenue.

Acesite Management is not leaving anything to chance. The Company has been working doubly hard to ensure that the hotel property remains highly remunerative and is prepared to take advantage of any and all positive developments. A future surge in tourism or the emergence of new trends and improvements in the main feeder markets may deem likely examples.

The Company continues to be in the process of administering institutional reforms. While the focus in previous years was decreasing costs through the Early Retirement Program, attention has been shifted to moving forward and upgrading existing facilities.

The first phase of room renovations at the Manila Pavilion Hotel has just been completed. This is a crucial part of a PHP 500 million program projected to increase the property's room revenue by 50%.

Drawn from the inspired genius of renowned Filipino designer Sonia Santiago Olivares, MPH's 223 upper floor rooms and suites were retailored to don stylish furnishings and elegant accents in bright and trendy spaces , To complete each accommodation's new look, crucial upgrades of room facilities and technologies were effected for absolute comfort and ultra-ambience. For business travelers, MPH now offers an Ambassador Lounge with a daily buffet breakfast, fully equipped workstations, a lovely boardroom, and an array of beverages during cocktail hour. The corresponding Ambassador Suite has an area of 60 square meters and plush interiors that make the most sophisticated traveler feel right at home. An adjoining room in the Suite has Waterfront's signature Slumber Bed with 300 thread count linens and goose down pillows .The Pavilion's new Premiere Suite occupies the topmost floors with luxuriously furnished rooms and the Premiere Lounge. The Deluxe Premium has an area of 46 square meters and is ideal for the individual traveler seeking a luxurious home away from home.

These enhancements do not end with the Deluxe Rooms, Executive Rooms and Premiere Suites. Improvements will be magnified to include Ambassador Club Rooms and two new Presidential Suites.

The renovations were initiated to heighten guest satisfaction, generate regular and repeat bookings from the desired markets, and significantly minimize the property's maintenance cost.

The Company is determined to augment its position and solidify its grip on the corporate market to attract larger travel groups of premium clientele.

Through innovation and evolvement, the Company intends to triumph over competition by being the foremost choice of corporate and prime travelers; offering them an extraordinary experience.

Exuding a distinct charm of history and heritage, MPH enjoys a well-defined location at the heart of Manila. The vital infusion of service and facility enhancements has given this longstanding icon the impetus it so rightly deserves. This welcome change keeps it relevant and highly attractive to ideal markets, strengthening its stance in the competitive world of travel and tourism.

Acesite is confident that by constantly improving the quality of its products, the present and future success of the Company is assured.

On motion duly made and seconded, the stockholders noted the President's report.

4. APPROVAL OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The stockholders were furnished with copies of the annual report and audited financial statements for the year –ended December 31, 2012.

Upon motion duly made and seconded, the stockholders approved the annual report, together with the audited financial statements of the Company for the year ending December 31, 2012.

5. RATIFICATION OF THE ACTS OF THE BOARD AND MANAGEMENT

On motion duly made and seconded, the stockholders approved, ratified and confirmed all acts of the Board of Directors and Management for the year ended December 31, 2012 as well as contracts and transactions entered into by the Corporation for the same period, all as reflected in the minutes of the meetings of the Board of Directors and the board committees, the Annual Report and the Financial Statements.

6. ELECTION OF DIRECTORS

The Chairman stated that the next matter on the agenda was the election of the board of directors. The following were nominated as directors:

Mr. Renato B. Magadia	
Mrs. Dee Hua Gatchalian	
Atty. Pablo Gancayco	
Atty. Lamberto B. Mercado, Jr.	
Mr. Kenneth T. Gatchalian	
Atty. Arthur R. Ponsaran	
Ms. Elvira A. Ting	
Mr. Silvestre Bello, Jr.	
Mr. Arthur Lopez	- Independent Director
Mr. Philip Encarnacion	- Independent Director
Mr. Vicente C. Atilano	- Independent Director

Upon motion duly made and seconded, all votes were cast in favor of those who were nominated. The Chairman then announced that all those who had been nominated were elected as members of the board of directors to serve as such for the term 201-2014 until the election and qualification of their successors.

7. APPOINTMENT OF EXTERNAL AUDITOR

Upon the recommendation of the Audit Committee and the Board of Directors, and upon motion duly made and seconded, the auditing firm of Manabat, San Agustin & Co. was appointed as the external auditor of the Corporation for the ensuing corporate year 2013 – 2014.

8. APPOINTMENT OF LEGAL COUNSEL

Upon motion duly made and seconded, the law firm of Gancayco, Balasbas& Associates and Corporate Counsels Philippines Law Offices were appointed as legal counsel of the Company.

9. ADJOURNMENT

There being no other business to transact, the meeting was, upon the motion duly made and seconded, adjourned

Attest:	Certified Correct:
ARTHUR LOPEZ	**ARTHUR PONSARAN**
Chairman	Corporate Secretary

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

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

However, if you cannot attend and wish to send a representative/proxy, a proxy form is available at the office of Acesite (Phils.) Hotel Corporation, located at 7th Floor, Manila 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 11 August 2014. On 5 September 2014, 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. Mark the appropriate box:

   [ ] Preliminary Information Statement
   [X] Definitive Information Statement - Amended

2. Name of Registrant ACESITE (PHILS.) HOTEL CORPORATION
3. Province, country of incorporation Manila, Philippines
4. SEC Identification Number 7199
5. BIR Tax Identification Code 002-856-627

6. 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

8. 5 September 2014 at 4:00 in the afternoon
   7th Floor, Promenade, G Hotel Manila by Waterfront, 2090 Roxas Boulevard, Malate, Manila
   Date, time and place of the meeting of security holders

9. Approximate date on which this SEC Form 20-IS is first to be sent or given to security holders: 13 August 2014

10.

Title of Each Class		Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	- Authorized	1,200,000,000
	- Issued	344,747,520
	- Treasury	1,353,000
Preferred	- Authorized	20,000
	- Issued	None

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, 5 September 2014, 4:00 p.m. at the 7th Floor, Promenade, G Hotel Manila by Waterfront, 2090 Roxas Boulevard, Malate, Manila. The complete mailing address of the principal office of Acesite (Phils.) Hotel Corporation is 7th Floor, Manila Pavilion Hotel, United Nations Avenue, Ermita, Manila, 1000.

13 August 2014 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 5 September 2014 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

1. Other than election to office, no director or officer has any substantial interest in any matter to be acted upon during the Annual Meeting of Stockholders on 5 September 2014.

2. 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

1. As of 31 July 2014, there are 346,100,520 subscribed and issued common shares, of which 1,353,000 shares are treasury shares. Each of the 344,747,520 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.

2. All stockholders on record as of 11 August 2014 are entitled to receive notice and to vote at the Annual Meeting of the Stockholders on 5 September 2014.

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**

   a) SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS

As of 31 July 2014, 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.[1] 7th Flr. Manila Pavilion Hotel, UN Ave., cor M. Orosa, Ermita, Manila (Parent Company)		Filipino	192,045,057	55.49%
Common Shares	PCD Nominee Corporation[2] 37/F Tower 1, The Enterprise Center, 6766 Ayala Avenue corner Paseo de Roxas, 1226 Makati City	Various Owners		130,043,093	37.57%

[1]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.

[2]PCD Nominee Corporation has various beneficial owners. Majority holder is the I.B. Gimenez Securities, Inc with 40.11% of the total shares. B. H. Chua Securities Corporation

followed at 13.33% of the total shares. Westlink Global Equities, Inc is next at 12.75% of the total shares. COL Financial Group, Inc at 5.46% of the total shares and the rest of the owners have below 5% ownership.

b) SECURITY OWNERSHIP OF MANAGEMENT

As of 31 July 2014, the following are the record and beneficial ownership of directors and management:

Title of Class	Name of Beneficial Owner	Position	Citizenship	Nature and Amount of Ownership		%
Common	Arthur M. Lopez*	Chairman	Filipino	D	350	0.00010%
Common	Renato B. Magadia	Vice-Chairman	Filipino	D	350	0.00010%
Common	Kenneth T. Gatchalian	President	Filipino	D	350	0.00010%
Common	Elvira A. Ting	Treasurer	Filipino	D	350	0.00010%
Common	Arthur R. Ponsaran	Corporate Secretary	Filipino	D	350	0.00010%
Common	Ruben D. Torres*	Director	Filipino	D	100	0.00003%
Common	Sergio R. Ortiz-Luiz, Jr *	Director	Filipino	D	350	0.00010%
Common	Pablo M. Gancayco	Director	Filipino	D	350	0.00010%
Common	Lamberto B. Mercado, Jr.	Director	Filipino	D	350	0.00010%
Common	Dee Hua Gatchalian	Director	Filipino	D	3,850	0.00111%
Common	Norma T. Azores	EVP - Operations	Filipino	D	196	0.00006%
Common	Silvestre H. Bello, Jr.	Director	Filipino	D	3,500	0.00101%
Total Beneficial Ownership					**10,446**	**0.00302%**

* – Independent Director D – Direct I – Indirect

The beneficial ownership of directors and executive officers as a group amount to 10,446 shares or 0.00302% 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 31, 2014

Citizenship	Class	Ownership	Percentage
American	Common	20,051	0.0058%
British	Common	9,251,256	2.6730%
Chinese	Common	2,229	0.0006%
Filipino	Common	284,152,988	82.1013%
Others	Common	52,673,800	15.2192%
Portugues	Common	196	0.0001%
Total		346,100,520	100.0000%

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. Silvestre H. Bello, Jr., elected on July 20, 2009, Mr. Sergio R. Ortiz-Luiz, Jr., elected last February 25, 2013 and Mr. Ruben D. Torres as replacement of Mr. Vicente C. Atilano and elected last June 2, 2014. All are expected to be on the Board until 5 September 2014. 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, 67 Filipino	Arthur M. Lopez is the Owner and Principal Consultant of AML Hotel Consultancy, an independent Hotel Management Consultancy engaged in Hotel Design Development/Technical Services, Hotel Feasibility Study, Pre and Post Hotel Opening Services, Asset Management/Owner's Representative, Third Party Management and Gaming. He is currently the Management Consultant of the Bellevue Bohol Resort in Panglao, Bohol, the Bellevue Hotel Manila, The B Hotel Manila in Alabang; Hotel Advisor of Cathay International Resources Corp. (CIRC), owner of Federal Land Marco Polo Cebu and Grand Hyatt Project at the Fort Bonifacio, Taguig City; 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, and the Director of the Waterfront Hotels and Casinos, a public listed company – Philippine Stock Exchange (PSE), Hotel Technical Services Adviser and Hotel Management Consultant of Hotel of Asia Inc., Developer and Operator of Hotel 101 Manila, Jin Jiang Inn Ortigas and Jin Jiang Inn Makati, Hotel Technical Services Adviser and Hotel Management Consultant of Double Dragon Properties Corp., Developer and Operator of Injap Tower Iloilo. He is currently working on other several hotel developments in the Philippines as Consultant. Presently, he is the President of the Philippine Hotel Federation Inc. (formerly Philippine Hotel Owners Association). He was recently the 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 Inc. (Solaire Hotel & 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 and Auckland New Zealand and Westin Philippine Plaza. Resident Manager of Century Park Sheraton 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 Towér 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 worked in hotel and business club consultancy work in Japan, Palau, China, Vietnam and Indonesia.

He holds a Bachelor of Science degree in Commerce, Major in Management, and 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, University of Hawaii in Honolulu, Hawaii, USA. He attended a seminar on Good Governance at the Asian Institute of Management (AIM), Makati City, Philippines.

Renato B. Magadia, 76 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 Metro Alliance Holdings and Equities Corp., Mercator Holdings and Equities Corp. He is the Director of All Oceans Maritime agency, Inc., Howden Insurance and Reinsurance Brokers (Phils.), Inc., Cunningham Toplis Phils, Inc., Metro Combined Logistics Solutions, Inc., Philippine Accident Mangers, Inc. (PAMI), Philippine Estates Corporation and Misons Industrial & Development Corporation.
Elvira A. Ting, 53 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, 71 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., D&L Industries 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, 38 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., 71 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 Sciénce 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 Alliance Global, Inc., Export Development Council and JARDELI Club Foundation. He is a Director of Manila Exposition Complex, Inc. Lasaltech Academy, Philippine Estate Corporation, BA Securities, Rural Bank of Baguio, PILAK Foundation, Universal Access Center Trade, Philippine International Training Corporation, Philippine Foundation, Inc. (Team Philippines) and Forum Pacific, Inc. A Founding Director of International Chamber of Commerce of the Philippines and GSI. He is also a member of the Board of Advisers of Southville International School and Colleges. He is a commissioner of Patrol 117. He is also a Chairman of Rotary Club of Green Meadows Foundation. He is the past president of Rotary Club Green Meadows Quezon City RI District 3780; Private sector representative of the Philippine Bamboo Council, 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. A BPLS Champion in National Competitiveness Council. Some Awards that he received were International Peace Award for Economic Development in 2005, Most Outstanding Citizen of Nueva Ecija in the field of business in 2005 also, Most Outstanding Pasigueno in 2006, Ulirang Ama also in 2006, Presidential Merit Award Medal in 2007 and ORAS Award in 2011. 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., 49 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. A 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. Currently a Director of the following publicly listed companies: Waterfront Philippines, Inc., Wellex Industries, Inc., Forum Pacific, Inc., Metro Alliance Holdings & Equities Corp. and Acesite (Phils.) Hotel Corporation.

Pablo M. Gancayco, 57
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. Gancayco is a director of the Freeport at Bataan, a Past District Governor of Rotary International District 3780, the past Chairman of the Board of Philippine College of Rotary Governors and the Philippine Rotary Magazine Foundation, an officer and member of many other corporations, foundations and organizations.

Dee Hua Gatchalian, 66
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.

Ruben D. Torres, 72
Filipino

Mr. Ruben Torres graduated in the University of the Philippines with a degree of Bachelor of Arts (Political Science) after which, he finished the degree of Bachelor of Laws at the same university. He is 72 years old. Presently he is also the President of BPO Workers Association of the Philippines and Senior Partner of Torres Caparas Torres Law Office. He is associated with the Integrated Bar of the Philippines and Philippine Academy of Professional Arbitrators. His former positions include being a

Member of the House of Representatives of the 2nd District of Zambales, Executive Secretary of the Office of the President in Malacañang, Secretary of the Department of Labor and Employment. Mr. Torres became an Independent Director of Waterfront Philippines, Inc. since August 2006-present.

Silvestre H. Bello, Jr., 80 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. He 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, 2012, 2013 and 2014 he was re-elected as Director of the Board of the Association of Retired RTC Judges of the Philippines, Inc. Since 2006, he is a Law Partner of the Ramirez Lazaro Bello Rico-Sabado & Associates Law Office.

Mr. Arthur Lopez, Mr. Sergio R. Ortiz-Luiz, Jr. and Ruben D. Torres 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. Arthur M. Lopez	- Chairman
Mr. Renato B. Magadia	- Vice-Chairman
Mr. Kenneth T. Gatchalian	- President and Chief Executive Officer
Atty. Arthur R. Ponsaran	- Corporate Secretary and Chief Information Officer
Ms. Elvira A. Ting	- Treasurer and Chief Financial Officer
Ms. Norma T. Azores	- Executive Vice President and Chief Operating Officer
Mr. Ricky L. Ricardo	- Vice-President for Corporate Affairs
Atty. Arsenio A. Alfiler, Jr.	- Assistant Corporate Secretary and Compliance Officer

Norma T. Azores, 68 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, cum 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, 51 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., 69, Filipino	Atty. Alfiler, 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 Robert Park, 50	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.

None of the above directors and officers are connected with any government agencies and instrumentalities.

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., Lamberto M. Mercado, Ms. Elvira A. Ting, Ms. Dee Hua Gatchalian, Ruben D. Torres and Arthur R. Ponsaran 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.

2. 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.

3. 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.

   b. 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

1) Waterfront Phils., Inc., which, as of 31 July 2014 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. Vicente C. Atilano, Independent Director resigned from his position last June 2, 2014 due to his very busy schedule which requires frequent travels abroad.

Item 6. Compensation of Directors and Executive Officers

1. **Executive Compensation**

General

Ms. Elvira A. Ting, an executive officer elected on 18 August 2004 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				
Norma T. Azores	EVP and COO				
Ricky Ricardo	VP, Corporate Affairs				
Christopher Robert Park	General Manager				
Alan Chan	Executive Chef				
Aggregate for above Named officers		2012 2013 2014 (est.)	7,836,813 9,521,552 9,685,000	- - -	30,000 30,000 30,000
All other officers and directors as a group unnamed		2012 2013 2014 (est.)	- - -	- - -	1,049,128 1,079,187 1,260,000

For the ensuing year (2014), the aggregate compensation is expected to increase by approximately 3%.

COMPENSATION PLAN OF DIRECTORS

The members of the Board of Director are elected for a term of one year. Director per diem been pegged at a rate of ₱5,000.00 per board meeting but effective May 22, 2014, per diem is P10,000.00 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 2012 and 31 December 2013.

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 who as a regular employee, 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 Sanagustin & 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 2013 were audited by the accounting firm of KPMG R.G. Manabat & Co., formerly 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 & Company. Starting with the financial statements 31 December 2008 up to 31 December 2012 audit was undertaken by the accounting firm of KPMG Manabat, Sanagustin & Co. A two year cooling off period shall be observed in the re-engagement of the same signing partner.

Representatives of KPMG R.G. Manabat & 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	-	Ruben D. Torres	- Independent Director
Member	-	Dee Hua T. Gatchalian	- Director

External Audit Fees

a. Audit Related Fees

1. 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 P1.2 million for 2013 and P1.1 million for 2012.

2. There are no other assurance and related services rendered by the external auditor for the years 2012 and 2013.

b. Tax Advisory Fees

1. There are no Tax Advisory Fees for 2012 and 2013.

c. All Other Fees

No other audit fees were charged.

d. 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

a) In a meeting held on June 11, 2009, the Board of Directors resolved to increase the authorized capital stock from ₱310 million to ₱1.210 billion via declaration of 250% stock dividends and from ₱1.210 billion to ₱2.010 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.

b) In June 11, 2009 and July 2, 2009, respectively, the Board of Directors and the stockholders of Acesite (Phils.) Hotel Corporation approved the increase of the authorized capital from P1,210,000,000.00 to P2,010,000,000.00 via stock rights offering at an entitlement ratio of 0.58:1. Last July 14, 2014, the Board of Directors approved the amendment of the entitlement ratio from 0.58:1 to 1:1. This will be submitted for approval by stockholders on September 5, 2014 annual meeting.

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.

1. ADDITIONAL REQUIREMENTS AS TO CERTAIN ISSUES OR ISSUERS

   As of 31 December 2013, the Company has a net worth of P1.231 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 total number of rooms available for sale will be reduced from 502 rooms to 486 rooms upon completion of the rooms renovation program as more rooms are reconfigured to become suites. Aside from the two category deluxe rooms: executive rooms and premier suites, new ambassador club rooms have been introduced. The 486 rooms and suites are individually equipped with controlled central air conditioning, multi-channel radio, color TV with cable channels and advanced telecommunications facilities. The hotel had approximately 2,200 sq. m. of meeting, banquet and conference facilities but decided to lease the areas to Pagcor per Contract of Lease dated December 20, 2007. The hotel also houses several restaurants, such as Seasons Café (coffee shop), the Boulvar (bar & lounge) and the Patisserie (bakeshop and deli items). The construction of new function rooms on the 3rd floor is currently in progress and scheduled for launching end of August 2014. 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 paid US$2.5 million dollar in series of terms payments. In July 2011, the RTC of Manila issued an order granting the joint motion to dismiss the ejectment case filed by 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). The Company 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 provided for two months rent free.

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

The Oompany has no plans to acquire other properties for 2014.

Legal Proceedings

1. 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 [₱45,575,011.72]. 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. CTA En Banc dismissed the petition for review as received last January 9, 2014 subsequently on January 24, 2014 we filed our motion for reconsideration.

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 2012 and 31 December 2013.

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 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 2012 and 31 December 2013 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 5 September 2014:

a) The Annual Report and Audited Financial Statements for the calendar year ending 31 December 2013;

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 5 September 2014 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 5 September 2014.

The accounting firm of KPMG R.G. Manabat & Co., formerly KPMG Manabat Sanagustin & Co. has acted as the External Auditors for calendar year 2013, also stands for re-appointment. There are no disagreements with KPMG R.G. Manabat & Co. on any matter of accounting and financial disclosure.

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

A. The Board of Directors and the stockholders of Acesite (Phils.) Hotel Corporation approved on June 11, 2009 and July 2, 2009, respectively,

1. 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 pf P1.00 each and 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 and 20,000 Preferred shares with the par value of P500.00 each, in accordance with the provision of Section 38 of the Corporation Code of the Philippines (Batas PambansaBlg. 68), via declaration of 250% stock dividends; and
2. the increase of the authorized capital from P1,210,000,000.00 to P2,010,000,000.00 via stock rights offering at an entitlement ratio of 0.58:1.

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.

In a special meeting held last July 14, 2014, the Board of Directors approved the amendment of the entitlement ratio from 0.58:1 to 1:1.The proceeds will be used for the renovations of rooms, facilities, repair and replacement of equipment and working capital.

B. On June 28, 2013, the Board 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". The amendment was not presented in the last annual meeting held on September 6, 2013 for lack of quorum. The said amendment will be presented for approval of the stockholders at the annual stockholders' meeting on September 5, 2014.

C. In compliance with SEC Memorandum No. 6, Series of 2014, dated February 20, 2014, approval of the stockholders will also be sought at the annual stockholders' meeting on September 5, 2014 for the amendment of the Articles of Incorporation to reflect the change in principal office address from "City of Manila, Philippines" to "7th Floor, Manila Pavilion Hotel, United Nations Avenue corner Maria Orosa Street, Ermita, Manila, Philippines".

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.

b) 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 7, 2014.

By:

Date : __________ 2014.

ARTHUR R. PONSARAN
Corporate Secretary

MANAGEMENT REPORT

FINANCIAL AND OTHER INFORMATION

Financial Statements

The Company's consolidated financial statements for the years ended December 31, 2013, 2012 and 2011 are incorporated herein by reference.

Business Development

1. 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.

2. 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 2013

Product/Services	Amount (P)	% Contribution
Food & Beverage (F&B)	87,935,772.00	15.28%
Rooms	117,518,777.00	20.42%
Rent	366,692,412.00	63.72%
Operating Departments	2,209,775.00	0.39%
Others	1,093,949.00	0.19%
TOTAL	**575,450,685.00**	**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 contributed more than half the hotel's room sold.

Foreign Source	% Contribution to Total Room Nights	
	2013	2012
Asia	27.65%	29.29%
Middle East	1.24%	0.64%
North America	3.22%	4.74%
South/Central America	0.32%	0.33%
Europe	1.96%	1.78%
Australia	1.15%	0.97%
Africa	0.06%	0.03%
Philippines	64.40%	62.22%
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)	
	2013	2012
Seasons	55.72%	60.91%
Boulvar	4.98%	5.25%
Patisserie	13.27%	11.74%
Rotisserie	0.40%	3.30%
Room Service	7.70%	5.75%
Mini Bar	0.94%	0.32%
Casino	16.99%	12.73%
Total	**100%**	**100%**

Rooms

The biggest revenue contribution came from Corporate & FIT accounts and travel accounts rank second. Sales strategy shifted from travel accounts to corporate and FIT accounts to cater to markets with higher rates to fill up the newly renovated rooms.

The hotel's marketing promotions continuously did well in 2013 from last year, due to several room package offered during the year.

Market Segment	% Contribution	
	2013	2012
Marketing Promotions	13.08%	10.99%
Reservation system	15.46%	20.08%
Travel Trade Accounts	25.30%	27.96%
Corporate & FIT Accounts	46.16%	40.97%
TOTAL	**100.00%**	**100.00%**

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

As disclosed to SEC and PSE on March 20, 2013, the Manila Pavilion Hotel has completed the secondary phase of its renovation program covering 223 floors on the upper deluxe rooms, executive rooms, premier suites, and ambassador club rooms.

(e) Top Five (5) Performance Indicators

Occupancy of the hotel decreased from 49.20% for the year ended 31 December 2012 to 46.12% for the year ended 31 December 2013. Average room rate increased from P1,477.61 in 2012 to P2,177.59 in 2013.

	2013	2012
Occupancy Rate	46.12%	49.20%
Average Room Rate	2,177.59	1,477.61
Revenues	575,450,685	536,502,865
Gross Operating Income	265,682,259	217,454,613
Gross Operating Income Ratio	46.17%	40.53%

(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 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 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 sq.m. 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. The 3rd floor gaming area of Casino Filipino Pavilion has been fully operational as of 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 8.86% share in room night's production and 16.35% of the total F&B revenue. The Travel Trade sector, comprising around 100 travel agencies catering to Japanese, Koreans and Chinese tourists, makeup 25.29% of the total room nights for the year. Other corporate companies and FIT accounts accounted for 65.85% of the occupancy. The domestic market largely dominated the hotel's occupancy.

(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 P54.44 million and P117.48 million in 2013 and 2012 respectively. Transactions with WPI also include its allocated share in the common operating expenses. As of December 31, 2013 and 2012, the outstanding balance of receivables from WPI amounted to P517.61 million and P572.05 million respectively.

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

(i) 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 and the application for the reclassification upon completion of the renovation project is in progress.

(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.

(l) 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 the 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). The hotel obtained a clearance from the Pollution Control Department of the Laguna Lake Development Authority (LLDA). Permit fees for garbage collection, sewage cleaning plus Maynilad sewage carriage charges amounted to ₱1.1 million for the year ended 31 December 2013.

(n) Manpower Count

	Actual Manpower Count As of 31 Dec 2013	31 Dec 2012
Department Head	27	25
Managerial and Supervisors	67	72
Line Staff	165	171
Casual	48	53
Total	307	321

The Collective Bargaining Agreement (CBA) for the line employees was concluded on January 14, 2013, covering a period of five (5) years, July 1, 2012 to June 30, 2017. However, the economic provisions of this Agreement shall be subject to renegotiation after the 3rd year of its effectivity or 60 days prior to June 30, 2015. The CBA for supervisors signed on June 21, 2012 covers a period of five (5) years, April 1, 2011 to March 31, 2016. However, the economic provisions of this Agreement is currently being renegotiated.

Year-to-date training index was 116.92, and most of the hotel employees have undergone training in various skill-building seminars and development workshops.

(o) With the availability of the renovated floors, the hotel is re-directing its marketing efforts more on corporate clients. To improve guest satisfaction index, management decided to temporarily close some unrenovated floors. Revenue have gradually picked-up and started getting momentum. The renovation of superior rooms commences on the 2nd quarter of 2014.

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 2013 to Year Ended 31 December 2012

The year ended 31 December 2013 showed a 7.26% increase in revenues, from P536.5 million in 2012 to P575.4 million this year. P366.7 million came from rental income (63.72%), P117.5 million came from room revenue (20.42%), and P87.9 million from food & beverage revenues (15.28%). The hotel registered an occupancy rate of 46.12% in 2013, as compared to the 49.20% in 2012. The average room rate of P2,177.59 in 2013 is substantially higher by 47.37% compared to last year of P1,477.61. The decrease in room revenue was mainly due to the decrease in room occupancy and room inventory. Starting June 1, 2013 four (4) unrenovated floors, 8^{th} to 11^{th} floors, were closed pending refurbishment thus in effect, resulting to a lower food and beverage revenue too. The increase of the rental revenue was due to the recognition of the earned portion from the PAGCOR advance rental.

The coffee shop, Seasons, brought in 55.74% of the total food & beverage business, followed by sales at Casino Filipino contributing 16.99% and Patisserie contributed 13.27%. Room Service, Boulvar, Rotisserie and Mini Bar contributed 14%.

Cost of sales and services for the year ended 31 December 2013 amounted to P309.8 million, or 53.83% of the total gross revenue, compared with P319 million or 59.46% for the year ended 31 December 2012. Gross profit amounted P265.7 million or 46.17% for 2013. Last year's gross profit was P217.5 million or 40.54%.

Fixed, financial and other expenses in 2013 amounted to P195 million as compared to P120.7 million registered in 2012. The general and administrative expenses amounted to P102.2 million for 2013 and P68.9 million in 2012 and the substantial increase was due to the impairment loss recorded as provision on the tax assessment from the City of Manila and on the provision for bad debts accounts. Foreign exchange loss incurred in 2013 amounted to P22.5 million resulting from the depreciation of the local currency in relation to the US dollar as compared to a gain of P21.8 million recorded in 2012.

For 2013, the Company achieved a net income of P10.5 million or P0.03 per share compared with P35.1 million net income in 2012 or P0.10 per share.

Total assets of the company decreased from P2.544 billion as of the end of 2012 to P2.539 billion as of the end of 2013. Current assets decreased from P629.9 million last year to P588.9 million this year due to the decrease in trade and other current receivables, inventories and related party receivables. Cash account increased from P6.8 million in 2012 to P11 million in 2013. Also, prepayments and other current assets increased from P14.2 million to P33.2 million, due to huge input VAT on purchases for renovation project supplies and services. On the other hand, non-current assets increased by 1.88% from P1.91 billion to P1.95 billion due to the increase in property and equipment account for the cost of rooms renovation. Current liabilities decreased from P590.5 million to P322.4 million due to lower trade and other current payables of P132.3 million in 2013 compared to P193.5 million in 2012. In line with the loan restructuring agreement with ICBC, the reclassification of non-current portion of ICBC loan to non-current liabilities consequently increased the long term liabilities from P830.3 million in 2012 to P984.7 million in 2013. Stockholders' equity increased from P1.1 billion to P1.2 billion over the same comparative periods.

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 effect of the year-end adjustment on the straight-line recognition of rental income as required by Philippine Accounting Standards (PAS) No. 17 from P56 million in 2011 to only P10.8 million in 2012 contributed to the decrease in rental revenue 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% and Patisserie contributed 11.74%. Room Service, Boulvar, Rotisserie and Mini Bar contributed 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 ₱129.2 million in 2011 to P126.7 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 and P311.2 million in 2011 and the substantial decrease was 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 P21.8 million in 2012 from P21 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 P20.9 million in 2011 to P30.8 million in 2012. Foreign exchange gain incurred in 2012 amounted to P21.8 million as the local currency sustained its value in relation to the US dollar whereas a loss of P1.4 thousand was 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 P774 last year million to P629.9 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 P4.3 million to P14.2 million, due to huge input VAT on purchases for renovation project supplies and services. On the other hand, non-current assets increased by 4.38% from P1.8 billion to P1.9 billion due to the increase in construction in progress account for the room renovation which consequently increase the trade and other current payables from P168.6 million in 2011 to P193.5 million in 2012. Current liabilities decreased from P645 million to P590.5 million due to the full payment of the price settlement for the acquisition of 100%

interest in CIMAR. Long term liabilities decreased from P876.3 million to P830.3. Negotiation between the Company and ICBC for the restructuring of the loan is still ongoing. Stockholders' equity increased from P1.09 billion to P1.1 billion over the same comparative periods.

i. 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.

ii. 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. A foreign exchange loss in the amount of P22.5 million has been booked for the year ended 31 December 2013. 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 2011 to the year ending 31 December 2012 and from the year ending 31 December 2012 to the year ending 31 December 2013 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 – Rental):** Rental revenues for the year 2013 amounted to P366.7 million as compared to the rental revenues for the year 2012 which amounted to P265.7 million. The increase of the rental revenue was due to the recognition of the earned portion from the PAGCOR advance rental on expansion area B.

- **Revenues from Rooms (Revenues – Rooms):** Rooms revenues for the year 2013 amounted to P117.5 million as compared to the room revenues for the year 2012 which amounted to P134.1 million. The decrease of P16.6 million or 12.35% was due to the low occupancy attributed to the lower rooms inventory due to the closure of lower floors (8^{th} to 11^{th} floors) pending renovation. The renovation on the lower floors has commenced April 1, 2014. With the renovated deluxe floors, the hotel has strategically re-directed its market more on corporate clients. Revenue from the corporate market has gradually picked-up but not enough to offset the lower revenues from the travel market.

- **Revenues from Food and Beverage (Revenues – F&B):** F&B revenues for the year 2013 amounted to P87.9 million as compared to the F&B revenues for the year 2012 which amounted to P133.4 million. The decrease in room occupancy relatively reduced F&B revenue. The closure of Rotisserie outlet in the 1^{st} quarter of 2013 resulted in lower sales.

- **Revenues from Others:** Other revenues for the year 2013 amounted to P1.1 million as compared to the Other revenues for the year 2012 which amounted to P0.3 million. These pertain to various accounts like scrap sales, sundry charges to guests for lost and damaged items.

- **Cost of Sales (F&B):** F&B cost of sales for 2013 amounted to P91.4 million as compared to 2012 of P108.3 million. A decrease of P16.9 million as consequence to the decrease of F&B revenues.

- **Property Operations and Maintenance:** POMEC expenses for the year 2012 amounted to P74.9 million as compared to 2013 which amounted to P62.1 million. The 17.10% decrease was due to minimal maintenance needs of newly renovated rooms.

- **Depreciation on cost:** Depreciation on cost recorded in 2012 amounted to P17.3 million showing an increase of P17.9 million in 2013. With the higher value of the property, plant and equipment resulting from the deluxe rooms renovation, a higher monthly depreciation is recorded.

- **General and Administrative:** G&A expenses for the year 2012 amounted to P68.9 million as compared to the G&A expenses for the year 2013 of P102.2 million. The substantial increase was due to the impairment loss recorded as provision on the tax assessment from the City of Manila and on the provision for bad debts accounts.

- **Corporate Expenses:** Corporate expenses for 2013 amounted to P25.5 million compared to 2012 of P30.8 million. The decrease of P5.3 million was due to cost reduction in advertising and promotions, professional fees, personnel cost, transportation and travel, labor relations, entertainment, office supplies, communication and other sundry expenses.

- **Personnel:** Personnel costs for the year ended 31 December 2012 amounted to P126.7 million as compared to P122.7 million in the year 2013. The decrease of personnel cost was partly due to a reduction in number of regular employees from 268 last 2012 to only 259 in 2013. Number of casual employees was cut down to the minimum as volume of business had dropped.

- **Trade and Other Payables:** Trade and other payables as of 31 December 2012 amounted to P193.5 million as compared to that as of 31 December 2013 which amounted to P132.3 million. The material decrease of trade and other payables was mainly due to the settlement made to suppliers on the 1st quarter of 2013.

- **Provision:** Provision recorded in the year 2012 amounted to P20.2 million as compared to the provision recorded in 2013 which amounted to P45.6 million. The additional P25.3 million provision is allotted for the tax assessment from the Treasurer of the City of Manila arising principally from non declaration for local tax purposes of revenues derived from services rendered to PAGCOR.

- **Current portion of loan payable:** Current portion of loan payable in 2012 amounted to P314.1 million as compared to P82.1 million in the year 2013. The decrease was due to the principal payments made during the year to the ICBC loan totaling to $700,000 or P29.6 million and the reclassification of the non-current portion of the loan under non-current liabilities.

- **Loan payable – net of current portion:** This pertains to the balance of the ICBC loan worth US$15 million. Based on the approved restructured ICBC loan, the total outstanding payable of $6.9 million was appropriately separated to loan payable – net of current portion amounting to P225 million payable in the year 2015 & 2016. While the current portion payable in 2014 was recorded under current portion loan payable amounting to P82.1 million.

- **Rentals received in advance – net of current portion:** Rentals received in advance – net of current portion for the year 2012 amounted to P272.3 million as compared to Rentals received in advance – net of current portion for the year 2013 amounting to P173.5 million. The decrease was due to the recognition of the earned portion of the advance rental of PAGCOR for expansion area B.

- **Retirement benefits liability:** Retirement benefits liability amounted to P14.8 million for the year 2012 as compared to the retirement benefits liability for the year 2013 of P122 million per the latest independent actuarial valuation of the plan dated December 31, 2013, prepared using the projected unit credit method in accordance with PAS 19 on Employee Benefit.

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 2013 were audited by the accounting firm of KPMG R.G. Manabat & Co., formerly 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. Starting with the financial statements 31 December 2008 up to 31 December 2013 audit was undertaken by the accounting firm of KPMG Manabat, Sanagustin & Co .and 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 2014 is more particularly discussed on the attached SEC Form 17Q.

MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

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

	2014		2013		2012		2011	
	High	Low	High	Low	High	Low	High	Low
1st Quarter	1.28	0.94	1.48	1.20	4.17	0.83	3.20	1.98
2nd Quarter	1.43	1.15	1.34	1.01	6.07	1.74	2.65	1.82
3rd Quarter			1.25	1.05	4.20	1.05	4.77	1.60
4th Quarter			1.17	0.92	1.44	1.18	3.49	1.75

The last trading price was ₱1.24 on 31 July 2014.

2. **Holders**

The Company had 196 registered stockholders as of 31 July 2014. The top 20 stockholders are as follows:

Top 20 Stockholder as of 31 July 2014	No. of Shares	% Holdings
WATERFRONT PHILIPPINES, INC.	192,045,057	55.49%
PCD NOMINEE CORP.	77,369,293	22.35%
PCD NOMINEE CORPORATION (NF)	52,673,800	15.22%
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 CORPORATION	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 CORPORATION	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%
ANUP TRADING	198,576	0.06%

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.

c. For the year ended 31 December 2013, 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, 2013	December 31, 2012
Current Assets	588,909,785	629,941,949
Current Liabilities	322,364,024	590,482,639
Ratio	1.8268	1.0668

Quick Ratio	December 31, 2013	December 31, 2012
Cash+AR+ST Mkt Securities	32,681,161	36,835,604
Current Liabilities	322,364,024	590,482,639
Ratio	0.1014	0.0624

Cash Ratio	December 31, 2013	December 31, 2012
Cash+ST Mkt Securities	11,006,436	6,824,371
Current Liabilities	322,364,024	590,482,639
Ratio	0.0341	0.0116

SOLVENCY RATIO

Current Liabilities to Equity Ratio	December 31, 2013	December 31, 2012
Current Liabilities	322,364,024	590,482,639
Total Equity	1,232,618,204	1,123,853,848
Ratio	0.2615	0.5254

Total Liabilities to Equity Ratio	December 31, 2013	December 31, 2012
Total Liabilities	1,307,026,488	1,420,749,740
Total Equity	1,232,618,204	1,123,853,848
Ratio	1.0604	1.2642

Fixed Assets to Equity Ratio	December 31, 2013	December 31, 2012
Fixed Assets	1,950,734,907	1,914,661,639
Total Equity	1,232,618,204	1,123,853,848
Ratio	1.5826	1.7037

Assets to Equity Ratio	December 31, 2013	December 31, 2012
Total Assets	2,539,644,692	2,544,603,588
Total Equity	1,232,618,204	1,123,853,848
Ratio	2.0604	2.2642

INTEREST COVERAGE RATIO

Interest Coverage Ratio	December 31, 2013	December 31, 2012
Net Income Before Tax + Interest Exp	37,880,131	64,332,683
Interest Expense	11,485,516	13,979,115
Ratio	3.2981	4.6021

PROFITABILITY RATIO

Interest Coverage Ratio	December 31, 2013	December 31, 2012
Net Income After Tax	10,542,080	35,138,838
Net Sales	575,450,685	536,502,865
Ratio	0.0183	0.0655

Return on Assets (ROA) Ratio	December 31, 2013	December 31, 2012
Net Income After Tax	10,542,080	35,138,838
Total Assets	2,567,132,041	2,544,603,588
Ratio	0.0041	0.0138

Return on Equity Ratio	December 31, 2013	December 31, 2012
Net Income After Tax	10,542,080	35,138,838
Total Equity	1,246,015,764	1,121,698,119
Ratio	0.0085	0.0313

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.	President	2006 – present
Arieff Holdings Inc.	President	2008 - present
Legoli Holdings Inc.	President	2008 – present
Bellevue Manila	Management Consultant	2003 – present
Bellevue Resort Bohol in Panglao	Management Consultant	Present
Cathay Int'l Resources Corp (CIRC) Federal Land	Management Consultant	2007 – 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.

4. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code.

5. I shall inform the corporate secretary of Acesite (Phils.) Hotel Corporation of any changes in the abovementioned information within five days from its occurrence.

Done this _____ day of JUL 17 2014 at CITY OF MANILA.

Arthur Lopez

Affiant

SUBSCRIBED AND SWORN to before me this ____ day of JUL 17 2014 at CITY OF MANILA, affiant personally appeared before me and exhibited to me his Community Tax Certificate No. 02258840 issued at Makati City, Metro Manila on March 12, 2014.

ATTY. RAMIL JOSELITO B. TAMAYO
NOTARY PUBLIC TIN NO. 231430744000

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Series of 2014.

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 sworn to in accordance with law do hereby declare that:

1. I am an independent director of Acesite Phils Hotel Corp.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Waterfront Phils., Inc.	Independent Director	2006-present
Acesite (Phils.) Hotel Corporation	Independent Director	2013-present
Alliance Global	Vice Chairman	2007-present
Phil. Chamber of Commerce & Industry	Honorary Chairman/Treasurer	2008-present
PHILEXPORT	President/CEO	1991-present
ECOP	Honorary Chairman	2010 - present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Acesite Phils Hotel Corp as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code.

5. I shall inform the corporate secretary of Acesite Phils Hotel Corp. of any changes in the abovementioned information within five days from its occurrence.

Done this _____ day of JUL 17 2014 at CITY OF MANILA.

Affiant

SUBSCRIBED AND SWORN to before me this ____ day of JUL 17 2014 at CITY OF MANILA, affiant personally appeared before me and exhibited to me his Community Tax Certificate No. 30288604 issued at Manila City, Metro Manila on January 08, 2014.

Doc. No. 223;
Page No. 00;
Book No. IV;
Series of 2014.

ATTY. RAMIL JOSELITO B. TAMAYO
NOTARY PUBLIC TIN NO. 231430744000
PTR No. 2383071 Until 12-31-14 / ROLL No. 40601 - MCLE No. IV-0021344
IBP LIFE No. 6[illegible]235, Commission No. 2014-419 Until 12-31-15 MANILA
Office Add: National Press Club Bldg. Magallanes Drive, Intramuros, Manila

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **RUBEN D. TORRES**, Filipino, of legal age, and a resident of # 22 Kalaw Ledesma Circle, Tierra Verde Homes, Tandang Sora, Quezon City after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of Acesite Phils Hotel Corp.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
BPO Workers Association of the Phils. (BWAP)	President	Present
Trade Union Congress of the Philippines	VP- International Affairs	Present
Torres Clemencio Cabochan Torres Law Offices	Senior Partner	1998-present
Manila Doctors College	Member , Board of Advisers	2009-present
WATERFRONT PHILIPPINES INC.	Board of Director	2006-present
ACESITE PHILIPPINES HOTEL CORP.	Board of Director	present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Acesite Phils Hotel Corp as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code.

5. I shall inform the corporate secretary of Acesite Philippines Hotel Corp. of any changes in the abovementioned information within five days from its occurrence.

Done this _____ day of JUL 1 7 2014 at CITY OF MANILA.

Affiant

SUBSCRIBED AND SWORN to before me this ____ day of JUL 1 7 2014 at CITY OF MANILA, affiant personally appeared before me and exhibited to me his Community Tax Certificate No. _________ issued at _________, Metro Manila on __________ 2014.

Doc. No. 221;
Page No. 49;
Book No. V;
Series of 2014

ATTY. RAMIL JOSELITO B. TAMAYO
NOTARY PUBLIC TIN NO. 231430744000

ACESITE (PHILIPPINES) HOTEL 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, 2013, 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.

R.G. Manabat & 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.

ARTHUR M. LOPEZ
Chairman of the Board

KENNETH T. GATCHALIAN
President & CEO

ELVIRA A. TING
Treasurer & CFO

Signed this ______ day of ______ APR 3 0 2014

ATTY. EDITHA P. TALABOC
Notary Public in the City of Manila
Until December 31, 2015
PTR No. 2572880 / Jan. 14, 2014
IBP No. 962585 / Roll No. 43135
5th Floor Grand Residences Bldg.,
1415 M. Adriatico St., Malate Manila
MCLE No. IV-0019205/Legis Forum

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BOOK NO. 1
SERIES OF 14

6/F MANILA PAVILION HOTEL, U.N. AVENUE, ERMITA, MANILA, PHILIPPINES
TEL. (632) 526-1212 • FAX (632) 521-4150

COVER SHEET

7 1 9 9

S.E.C. Registration Number

ACESITE (PHILS.) HOTEL
CORPORATION AND SUBSIDIARY
(A Subsidiary of Waterfront
Philippines, Incorporated)
(Owner of Manila Pavilion
Hotel)

(Company's Full Name)

Room 610, Manila Pavilion
Hotel, United Nations Avenue
Ermita, Manila

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

Ms. Precilla O. Toriano	(02)526-6211
Contact Person	Company Telephone Number

1 2	3 1	A F S 1 3		
Month	*Day*	FORM TYPE	*Month*	*Day*
			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes.

ACESITE (PHILS.) HOTEL CORPORATION AND SUBSIDIARY

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

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

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

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

Branches: Subic · Cebu · Bacolod · Iloilo

REPORT OF INDEPENDENT AUDITORS

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

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, 2013 and 2012, 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, 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

PRC-BOA Registration No. 0003, valid until December 31, 2016
SEC Accreditation No. 0004-FR-3, Group A, valid until November 22, 2014
IC Accreditation No. F-0040-R, Group A, valid until September 11, 2014
BSP Accredited, Category A, valid until December 17, 2014

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, 2013 and 2012, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2013, in accordance with Philippine Financial Reporting Standards.

R.G. MANABAT & CO.

VIRGILIO L. MANGUILIMOTAN
Partner
CPA License No. 0035026
SEC Accreditation No. 0047-AR-3, Group A, valid until March 28, 2015
Tax Identification No. 112-071-561
BIR Accreditation No. 08-001987-11-2013
Issued May 9, 2013; valid until May 8, 2016
PTR No. 4225132MC
Issued January 2, 2014 at Makati City

April 10, 2014
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

	Note	December 31 2013	December 31 2012 (As restated - Note 23)	January 1 2012 (As restated - Note 23)
ASSETS				
Current Assets				
Cash	*20*	**P11,006,436**	P6,824,371	P28,257,128
Trade and other current receivables - net	*5, 20*	**21,674,725**	30,011,233	37,155,931
Inventories	*6*	**5,438,455**	6,845,798	14,686,078
Due from a related party	*11a*	**517,609,726**	572,051,985	689,532,788
Prepaid expenses and other current assets	*7*	**33,180,443**	14,208,562	4,352,547
Total Current Assets		**588,909,785**	629,941,949	773,984,472
Noncurrent Assets				
Property and equipment - net	*9, 12*	**1,892,140,842**	1,789,594,851	1,696,947,452
Available-for-sale investment	*11b*	**16,908,450**	26,013,000	22,978,150
Other noncurrent assets	*22*	**41,685,615**	99,053,788	114,403,304
Total Noncurrent Assets		**1,950,734,907**	1,914,661,639	1,834,328,906
		P2,539,644,692	P2,544,603,588	P2,608,313,378
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other current payables	*10*	**P132,261,225**	P193,488,506	P168,637,395
Provision	*22c*	**45,575,012**	20,227,960	20,227,960
Current portion of loan payable	*12*	**81,559,455**	314,128,747	367,098,607
Current portion of advance rentals	*22a*	**58,942,464**	58,942,464	-
Contract payable	*8*	**-**	-	86,260,000
Income tax payable		**4,025,868**	3,694,962	2,730,511
Total Current Liabilities		**322,364,024**	590,482,639	644,954,473

Forward

		December 31		January 1
		2013	2012 (As restated - Note 23)	2012 (As restated - Note 23)
Noncurrent Liabilities				
Loan payable - net of current portion	*12*	**P223,380,516**	P -	P -
Advance rentals - net of current portion	*22a*	**173,501,878**	272,279,084	331,221,548
Concessionaires' deposits	*22a*	**105,193,239**	97,554,706	90,470,839
Net retirement benefits liability	*17, 23*	**121,972,067**	140,850,498	128,979,874
Deferred tax liabilities - net	*18, 23*	**360,614,764**	319,582,813	325,607,857
Total Noncurrent Liabilities		**984,662,464**	830,267,101	876,280,118
Total Liabilities		**1,307,026,488**	1,420,749,740	1,521,234,591
Equity	*13, 21*			
Capital stock		**346,100,520**	346,100,520	99,852,308
Revaluation surplus on property and equipment	*9*	**697,413,515**	643,799,692	676,323,386
Retirement benefits reserve	*17, 23*	**23,369,124**	2,179,815	3,554,356
Unrealized valuation gain on available-for-sale investment	*11b*	**4,657,980**	13,762,530	10,727,680
Retained earnings	*23*	**173,118,765**	130,052,991	308,662,757
Treasury stock - at cost		**(12,041,700)**	(12,041,700)	(12,041,700)
Total Equity		**1,232,618,204**	1,123,853,848	1,087,078,787
		P2,539,644,692	P2,544,603,588	P2,608,313,378

See Notes to the Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	2013	2012 (As restated - Note 23)	2011 (As restated - Note 23)
REVENUES				
Rental	*22a*	**P366,692,412**	P265,725,122	P310,675,605
Rooms		**117,518,777**	134,071,506	162,823,508
Food and beverage		**87,935,772**	133,428,998	159,154,862
Transportation		**967,450**	1,118,150	904,801
Guest laundry and valet		**616,415**	866,234	757,213
Telephone		**473,665**	668,816	1,057,105
Executive business center		**152,245**	287,634	380,441
Others		**1,093,949**	336,405	117,749
		575,450,685	536,502,865	635,871,284
COSTS AND EXPENSES OTHER THAN DEPRECIATION AND FINANCING COSTS				
Food and beverage		**91,433,367**	108,302,426	139,168,255
Energy cost		**63,951,816**	61,682,003	56,626,688
Property operations and maintenance		**62,125,800**	74,938,254	24,190,546
Rooms		**46,223,750**	45,289,349	49,041,593
Telephone		**6,446,833**	6,944,606	6,318,957
Transportation		**1,183,547**	1,200,879	1,459,280
Executive business center		**416,482**	508,059	567,228
Guest laundry and valet		**237,493**	315,982	25,689
Others	*14*	**152,968,830**	123,229,756	359,516,237
		424,987,918	422,411,314	636,914,473
INCOME BEFORE DEPRECIATION, FINANCING COSTS AND INCOME TAX		**150,462,767**	114,091,551	(1,043,189)
DEPRECIATION AND FINANCING COSTS				
Depreciation	*9*	**81,629,261**	63,721,262	58,940,310
Foreign exchange losses (gains) -net		**22,546,906**	(21,791,013)	1,411
Financing costs - net	*15, 22*	**19,891,985**	21,842,143	20,974,986
		124,068,152	63,772,392	79,916,707

Forward

			Years Ended December 31	
	Note	2013	2012 (As restated - Note 23)	2011* (As restated - Note 23)
INCOME (LOSS) BEFORE INCOME TAX		**P26,394,615**	P50,319,159	(P80,959,896)
INCOME TAX EXPENSE	*18, 23*	**15,852,535**	15,204,407	18,509,016
NET INCOME (LOSS)		**10,542,080**	35,114,752	(99,468,912)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will never be reclassified to profit or loss				
Appraisal increase on property and equipment for the year	*9*	**123,053,596**		
Remeasurement gains (losses) on defined benefit plan	*17, 23*	**30,270,441**	(1,963,630)	5,077,651
Deferred tax effect	*18, 23*	**(45,997,211)**	589,089	(1,523,295)
		107,326,826	(1,374,541)	3,554,356
Items that may be reclassified to profit or loss				
Unrealized gain (loss) on available-for-sale investment recognized for the year	*11b*	**(9,104,550)**	3,034,850	16,821,740
		98,222,276	1,660,309	20,376,096
TOTAL COMPREHENSIVE INCOME (LOSS)		**P108,764,356**	P36,775,061	(P79,092,816)
EARNINGS (LOSS) PER SHARE - BASIC AND DILUTED	*19*	**P0.03**	P0.10	(P0.29)

* 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 Consolidated 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

Year Ended December 31

	Note	**Capital Stock** (Note 13a)	**Revaluation Surplus on Property and Equipment** (Note 9)	**Retirement Benefits Reserves** (Notes 17 and 23)	**Unrealized Valuation Gain (Loss) on Available-for-sale Investment** (Note 11b)	**Retained Earnings**	**Treasury Stock** (Note 13a)	**Total**
As of January 1, 2013, As previously reported		P346,100,520	P643,799,692	P2,179,815	P13,762,530	P130,077,077	(P12,041,700)	P1,123,877,934
Impact of change in accounting policy	23	-	-	-	-	(24,086)	-	(24,086)
As of January 1, 2013, As restated		346,100,520	643,799,692	2,179,815	13,762,530	130,052,991	(12,041,700)	1,123,853,848
Total comprehensive income for the year								
Net income for the year		-	-	-	-	10,542,080	-	10,542,080
Transfer of revaluation surplus absorbed through depreciation for the year - net of tax effect		-	(32,523,694)	-	-	32,523,694	-	-
Other comprehensive income - net of tax effect		-	86,137,517	21,189,309	(9,104,550)	-	-	98,222,276
		-	53,613,823	21,189,309	(9,104,550)	43,065,774	-	108,764,356
Balance at December 31, 2013		P346,100,520	P697,413,515	P23,369,124	P4,657,980	P173,118,765	(P12,041,700)	P1,232,618,204

See Notes to the Consolidated 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

Year Ended December 31

	Note	Capital Stock (Note 13a)	Revaluation Surplus on Property and Equipment (Note 9)	Retirement Benefits Reserves (Notes 17 and 23)	Unrealized Valuation Gain (Loss) on Available-for-sale Investment (Note 11b)	Retained Earnings	Treasury Stock (Note 13a)	Total
As of January 1, 2012, As previously reported		P99,852,308	P676,323,386	P -	P10,727,680	P308,662,757	(P12,041,700)	P1,083,524,431
Impact of change in accounting policy	23	-	-	3,554,356	-	-	-	3,554,356
As of January 1, 2012, As restated		99,852,308	676,323,386	3,554,356	10,727,680	308,662,757	(12,041,700)	1,087,078,787
Total comprehensive income for the year								
Net income for the year, as restated		-	-	-	-	35,114,752	-	35,114,752
Transfer of revaluation surplus absorbed through depreciation for the year - net of tax effect		-	(32,523,694)	-	-	32,523,694	-	-
Other comprehensive income - net of tax effect		-	-	(1,374,541)	3,034,850	-	-	1,660,309
		-	(32,523,694)	(1,374,541)	3,034,850	67,638,446	-	36,775,061
Transaction with owners of the Company								
Stock dividends		246,248,212	-	-	-	(246,248,212)	-	-
Balance at December 31, 2012		P346,100,520	P643,799,692	P2,179,815	P13,762,530	P130,052,991	(P12,041,700)	P1,123,853,848

See Notes to the Consolidated Financial Statements.

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

CONSOLDIATED STATEMENTS OF CHANGES IN EQUITY

Year Ended December 31

	Capital Stock (Note 13a)	Revaluation Surplus on Property and Equipment (Note 9)	Retirement Benefits Reserve (Notes 17 and 23)	Unrealized Valuation Gain (Loss) on Available-for-sale Investment (Note 11b)	Retained Earnings	Treasury Stock (Note 13a)	Total
Balance at January 1, 2011	P99,852,308	P708,847,080	P -	(P6,094,060)	P375,607,975	(P12,041,700)	P1,166,171,603
Total comprehensive income for the year							
Net loss for the year	-	-	-	-	(99,468,912)	-	(99,468,912)
Transfer of revaluation surplus absorbed through depreciation for the year - net of tax effect	-	(32,523,694)	-	-	32,523,694	-	-
Other comprehensive income - net of tax effect, as restated	-	-	3,554,356	16,821,740	-	-	20,376,096
	-	(32,523,694)	3,554,356	16,821,740	(66,945,218)	-	(79,092,816)
Balance at December 31, 2011, As restated	P99,852,308	P676,323,386	P3,554,356	P10,727,680	P308,662,757	(P12,041,700)	P1,087,078,787

* 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 Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	2013	2012 (As restated - Note 23)	2011*
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		**P26,394,615**	P50,319,159	(P80,959,896)
Adjustments for:				
Depreciation	*9*	**81,629,261**	63,721,262	58,940,310
Impairment losses and provisions	*14*	**32,466,093**	703,400	235,959,935
Net unrealized foreign exchange loss (gain)		**22,557,561**	(21,803,958)	(265,882)
Retirement benefits expense (income)	*17*	**15,180,348**	20,315,041	(650,820)
Interest expense on loan payable	*15*	**11,485,516**	14,000,635	13,395,680
Accretion expense	*15*	**7,638,533**	7,083,867	6,569,477
Loss on disposal of property, plant and equipment	*9*	**-**	(135,000)	1,568,412
Interest income	*15*	**(32,241)**	(52,171)	(162,535)
Operating income before working capital changes		**197,319,686**	134,152,235	234,394,681
Decrease (increase) in:				
Trade and other current receivables		**1,217,467**	6,441,297	3,453,592
Inventories		**1,407,343**	7,840,280	(1,466,174)
Prepaid expenses and other current assets		**(18,971,881)**	(9,856,015)	2,219,625
Increase (decrease) in:				
Trade and other current payables		**(61,227,281)**	24,851,111	(21,213,633)
Advance rentals		**(98,777,206)**	-	13,072,297
Concessionaires and deposits		**-**	-	(647,795)
Cash generated from operations		**20,968,128**	163,428,908	229,812,593
Interest received		**32,241**	52,171	162,535
Contribution to retirement fund	*17*	**-**	(5,800,000)	(5,000)
Benefits paid	*17*	**(3,788,338)**	(4,608,047)	-
Income tax paid		**(20,486,889)**	(19,675,910)	(36,422,310)
Net cash provided by (used in) operating activities		**(3,274,858)**	133,397,122	193,547,818

Forward

			Years Ended December 31	
	Note	2013	2012 (As restated - Note 23)	2011*
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (increase) in:				
Due from a related party	*11a*	**P54,442,259**	P117,480,803	(P110,578,826)
Other noncurrent assets		**57,368,173**	15,349,516	(53,959,256)
Proceeds from disposal of property and equipment		**-**	135,000	-
Payment of contract payable	*8*	**-**	(86,260,000)	-
Investment in a subsidiary	*8*	**-**	-	(21,565,000)
Acquisitions of property and equipment	*9*	**(61,121,656)**	(156,368,661)	(10,330,948)
Net cash provided by (used in) investing activities		**50,688,776**	(109,663,342)	(196,434,030)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest expense paid		**(11,453,469)**	(14,000,635)	(13,395,680)
Payment of mortgage loan	*12*	**(31,778,384)**	(31,165,902)	-
Net cash used in financing activities		**(43,231,853)**	(45,166,537)	(13,395,680)
NET INCREASE (DECREASE) IN CASH		**4,182,065**	(21,432,757)	(16,281,892)
CASH AT BEGINNING OF YEAR		**6,824,371**	28,257,128	44,539,020
CASH AT END OF YEAR		**P11,006,436**	P6,824,371	P28,257,128

* 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 Consolidated Financial Statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting Entity

Acesite (Phils.) Hotel Corporation (APHC or the "Parent Company") was incorporated in the Philippines 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. APHC is a 59.78%-owned subsidiary of Waterfront Philippines, Inc. (WPI) and its ultimate parent is The Wellex Group, Inc., both of which are incorporated in the Philippines.

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 8). CIMAR was incorporated in the Philippines and registered with SEC primarily to engage in the business of real estate, and is the owner of the land on which the Hotel is situated. The information of the Subsidiary in 2011 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.

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 compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

The consolidated financial statements of the Group as at and for the year ended December 31, 2013 were approved and authorized for issue by the Board of Directors (BOD) on April 10, 2014.

- 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.

  Control is re-assessed as facts and circumstances change.

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

- 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) includes the following requirements:

  - actuarial gains and losses are recognized immediately in other comprehensive income; this change removes the corridor method and eliminates the ability for entities to recognize all changes in the DBO and in plan assets in profit or loss; and
  - interest income recognized in profit or loss is calculated based on the rate used to discount the DBO.

  The Group has applied the relevant transitional provisions of the amended standard on a retrospective basis and provided more extensive disclosures. The nature and the impact of the changes are presented in Note 23 to the financial statements while the new disclosures required by the amendments are presented as part of Note 17 to the financial statements.

- *Annual Improvements to PFRSs 2009 - 2011 Cycle* - various standards contain amendments to five standards with consequential amendments to other standards and interpretations. 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 - *Borrowing Cost Exemption*. This is amended to clarify how the exemption should be applied for borrowing costs relating to qualifying assets for which the commencement date of capitalization is before the date of transition to PFRSs.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

New and 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, 2013, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the 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, 2014

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

  - An entity currently has a legally enforceable right to set-off if that right is:
    - not contingent on a future event; and
    - enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and

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

- Recoverable Amount Disclosures for Non-financial Assets *(Amendments to PAS 36)*. These narrow-scope amendments to PAS 36 address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments clarified that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

To be Adopted on July 1, 2014

- Defined Benefit Plans: Employee Contributions *(Amendments to PAS 19)*. The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

To be Adopted (No definite date - Originally January 1, 2015

- PFRS 9, *Financial Instruments* (2009), PFRS 9, *Financial Instruments* (2010) and PFRS 9, *Financial Instruments* (2013)

  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.

  PFRS 9 (2013) introduces the following amendments:

  - A substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements;
  - Changes to address the so-called 'own credit' issue that were already included in PFRS 9, *Financial Instruments* to be applied in isolation without the need to change any other accounting for financial instruments; and
  - Removes the January 1, 2015 mandatory effective date of PFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements.

  The IASB is currently discussing some limited amendments to the classification and measurement requirements in IFRS 9 and is also discussing the expected credit loss impairment model to be included in IFRS 9. Once those deliberations are complete the IASB expects to publish a final version of IFRS 9 that will include all of the phases: Classification and Measurement; Impairment and Hedge Accounting. That version of IFRS 9 will include a new mandatory effective date.

<u>Basis of Consolidation</u>

Subsidiary

The consolidated financial statements comprise the financial statements of the Parent Company and its Subsidiary as at and for the years ended December 31, 2013 and 2012.

A subsidiary is an entity controlled by the Parent Company. The Parent Company controls an entity if and only if, the Parent Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control, and continue to be consolidated until the date when such control ceases.

The consolidated financial statements are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intergroup balances and transactions, including intergroup unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

Accounting for Business Combination
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.

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. The following specific criteria must also be met before income is recognized:

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.

Room

Room revenue is recognized based on actual occupancy.

Food and Beverage

Food and beverage revenue is recognized when orders are served.

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

Financial Assets

The Group classifies its financial assets in the following categories: (a) at FVPL, (b) loans and receivables, (c) HTM investments, and (d) AFS investments. The Group's classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The Group only holds financial assets classified as AFS financial assets and loans and receivables.

(a) Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and where management has no intention of trading. They are included in current assets, except for maturities greater than 12 months after the financial reporting date, in which case, these are classified as noncurrent assets. The Group's cash, trade and other current receivables and due from a related party are classified as loans and receivables as at December 31, 2013 and 2012.

Cash include cash on hand and in banks, which is stated at face value.

Trade receivables arising from regular sales with credit term ranging from 30 to 45 days are recorded at invoice value less allowance for impairment losses.

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.

(b) Initial Recognition and Derecognition

Regular purchases and sales of financial assets are recognized on trade date - the date on which the Group commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the timeframe generally established by regulations or convention in the marketplace. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at FVPL. Financial assets carried at FVPL are initially recognized at fair value and transaction costs are expensed in profit or loss.

Financial assets are derecognized when:

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

When the Group has transferred its rights to receive cash flows from a financial asset and has neither transferred nor retained substantially all the risks and rewards of the financial assets nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group's continuing involvement in the financial asset.

Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Group could be required to repay.

(c) Subsequent Measurement

Loans and receivables are carried at amortized cost using the effective interest method, less impairment losses, if any.

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.

(d) Determination of Fair Value

Fair value is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price), regardless of whether that price is directly observable or estimated using another valuation technique. Where applicable, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable input and minimizing the use of unobservable inputs.

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques 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); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The Group's AFS investment as at December 31, 2013 and 2012 is based on level 1.

(e) Impairment

The Group assesses at each financial reporting date whether there is objective evidence that a financial asset is impaired.

Impairment of trade and other receivables financial assets is described in Note 4. For those carried at amortized cost, individually significant financial assets are tested for impairment if there are indicators of impairment. Impairment loss is recognized in profit or loss and the carrying amount is reduced through the use of allowance. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed.

Impairment losses on AFS financial assets are recognized by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in profit or loss. If the fair value of an impaired AFS debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss; otherwise it is reversed through OCI.

Financial Liabilities

(a) Classification

The Group classifies its financial liabilities as financial liabilities at FVPL and other financial liabilities. The Group's financial liabilities are classified as other financial liabilities.

Other financial liabilities pertain to issued financial instruments that are not classified or designated at FVPL and contain contract obligations to deliver cash or another financial asset to the holder or to settle the obligation other than the exchange of a fixed amount of cash.

As at December 31, 2013 and 2012, the Group has designated as other financial liabilities its loan with Industrial Commercial Bank of China Singapore Branch (ICBC), contract payable, trade and other current payables and refundable security deposits.

(b) Initial Recognition and Derecognition

Financial liabilities are initially recognized at fair value, less any directly attributable transaction cost.

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 the 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.

(c) Subsequent Measurement

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position when, and only when, the Group has an enforceable legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Inventories

Inventories are stated at the lower of cost and net realizable value (NRV). Cost comprises all cost of purchase and other direct costs incurred in bringing the inventories to their present location and condition. 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.

Prepaid Expenses

Prepaid expenses represent expenses not yet incurred but are already paid. Prepaid expenses are initially recorded as assets and measured at the amount of cash paid. Subsequent to initial recognition, these are charged to profit or loss as they are consumed in operations or expire with the passage of time

Prepaid expenses are classified in the consolidated statements of financial position as current assets when the cost of goods or services related to the prepayment are expected to be incurred within one year or the Group's normal operating cycle, whichever is longer. Otherwise, they are classified as noncurrent assets,

Property and Equipment

Measurement at Recognition

Upon recognition, items of property and equipment are measured at cost which comprises the purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. For land which is acquired as part of business combination, it is originally measured at deemed cost (fair value at the acquisition date).

Measurement Subsequent to Recognition

Transportation and operating equipment are carried at cost less accumulated depreciation and accumulated impairment losses, if any.

Hotel building and equipments and furniture and fixtures are carried at revalued amounts, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Fair values are determined through the appraisal of an independent firm of appraisers. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in the carrying amount resulting from a revaluation (revaluation increase) is recognized in other comprehensive income and accumulated in equity. However, the increase shall be recognized in profit or loss to the extent that the increase reverses a revaluation decrease of the same asset previously recognized in profit or loss.

Any decrease in the carrying amount resulting from a revaluation (revaluation decrease) is recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity.

Subsequent Costs

Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Group. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred.

Depreciation

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

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

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

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

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.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and 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.

Fair Value Measurement

When measuring the fair value of property and equipment, the Group uses market observable data as far as possible and is categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in 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).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Impairment of Nonfinancial Assets

The carrying amount of the Group's property and equipment is 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 cash-generating 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.

<u>Segment Reporting</u>
A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those other segments.

The Group determines and presents operating segments based on the information that is internally provided to the BOD, who is the Group's chief operating decision maker. The Group assessed that its hotel operations represent one segment. Accordingly, the Group does not present segment information in these consolidated financial statements.

<u>Provisions and Contingencies</u>
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 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 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 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 a qualifying asset, which necessarily takes a substantial period of time to prepare for its intended use or sale.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefit obligations, such as those for salaries and wages, social security contributions, short-term compensated absences, bonuses and non-monetary benefits, among others, are measured on an undiscounted basis and are expensed as the related service is provided.

Defined Benefit Plan

The Group's net obligation in respect of the defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability, taking into account any changes in the net defined liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss.

The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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 earned. Rental income is recognized in profit or loss on a straight-line basis over the term of the 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 non-redeemable, or redeemable only at the option of the Parent Company, or if the dividend payments are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the Parent Company.

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. The land subject to the finance lease agreement had been the subject of the ejectment case filed by the lessor

As part of the settlement of all the cases, 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 Parent Company in 2003.

As disclosed in Note 8, the balance of the receivables, after write-off of P234.92 million, were realized through the acquisition of CIMAR by the Parent Company.

Fair Value Measurement

The fair value of property and equipment was determined by external, independent property valuers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent appraisers provide the fair value of the Hotel's property and equipment.

The fair value measurement for property and equipment has been categorized as Level 2 in the fair value hierarchy based on the inputs of the valuation technique used.

As at December 31, 2013 and 2012, the appraisal increase, net of depreciation, on the property and equipment amounted to P996.31 million and P919.71 million, respectively (see Note 9).

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 P45.58 million (see Note 22c).

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 18).

Distinguishing Investment Properties and Owner-occupied Properties
The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the properties but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as investment properly only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group has classified its properties as owner-occupied.

Classifying Financial Instruments
The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual agreement and the definition of a financial asset, financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

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 collectability 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 a related party, 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 at December 31, 2013 and 2012 amounted to P6.80 million and P2.34 million, respectively (see Note 5). Also, in 2011, the Group wrote off portion of its receivables from ALB amounting to P234.92 million (see Note 8).

Impairment Loss on AFS investment

The Group classifies certain assets as AFS investments and recognizes movements in their fair value in equity. AFS investments are assessed as impaired when there has been a significant or prolonged decline in the fair value below cost or where other objective evidence of impairment exists. The determination of what is significant or prolonged requires judgment. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities, and the future cash flows and the discount factors for unquoted equities.

As at the reporting date, based on the assessment of the Group, there is no indication of impairment of AFS investments. The carrying value of AFS investments as at December 31, 2013 and 2012 amounted to P16.91 million and P26.01 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.

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 Cost and Obligation
The determination of the Group's retirement cost and obligation 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.

As at December 31, 2013 and 2012, the retirement liability amounted to P121.97 million and P140.85 million, respectively. The retirement benefits cost in 2013 and 2012 amounted to P15.18 million and P20.32 million, respectively, and the retirement benefits income in 2011 amounted to P.65 million (see Note 17).

Realizability of 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 P147.02 million and P177.89 million as at December 31, 2013 and 2012, respectively (see Note 18).

5. Trade and Other Current Receivables

This account consists of:

	2013	2012
Guests, concessionaires and other patrons	P26,990,846	P30,721,129
Others	1,479,493	1,633,020
	28,470,339	32,354,149
Less allowance for impairment losses on guests, concessionaires and other patrons	6,795,614	2,342,916
	P21,674,725	P30,011,233

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	2013	2012
Beginning balance		P2,342,916	P3,234,730
Impairment losses	*14*	7,119,041	703,400
Write-off		(2,666,343)	(1,595,214)
Ending balance		P6,795,614	P2,342,916

6. Inventories

This account consists of:

	2013	2012
Operating supplies	P3,117,085	P3,027,175
Saleable merchandise	1,627,729	2,985,505
Engineering and maintenance supplies	693,641	833,118
	P5,438,455	P6,845,798

The Group's inventories are carried at cost, which is lower than the net realizable value, as at December 31, 2013 and 2012.

7. Prepaid Expenses and Other Current Assets

This account consists of:

	2013	2012
Input value-added tax (VAT)	P31,332,168	P12,543,803
Prepaid insurance	1,752,639	1,447,193
Others	95,636	217,566
	P33,180,443	p14,208,562

8. Business Combination

In July 2011, the Parent Company and CIMAR executed a Memorandum of Agreement (MOA), which effectively settled all pending cases between the two parties involving the collection case and the ejectment case filed by the Parent Company and CIMAR, respectively. 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 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 Parent Company paid US$2.5 million in a series of term payments [US$500 thousand (P21.6 million) in 2011 and US$2 million (P86.3 million) in 2012] plus the carrying value of the Parent Company's receivables from Acesite Limited BVI (ALB), net of Parent Company's liability to CIMAR, as of acquisition date.

The following summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

Assets:	
Investment in equity securities	P312,500
Land	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

The details of the consideration transferred at the acquisition date follow:

Cash	P21,565,000
Contract payable	86,260,000
Net carrying value of receivable from ALB	351,937,500
	P459,762,500

Prior to the acquisition of CIMAR, management and BOD estimated the maximum recoverable amount of the receivable from ALB, 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 P234.92 million (see Note 14), leaving a net carrying value of P351.94 million which was considered as part of the consideration above.

In July 2011, the Regional Trial Court (RTC) of Manila issued an order granting the joint motion to dismiss the cases filed by the parties.

9. Property and Equipment

The balances and movements in this account are as follows:

	For the Year Ended December 31, 2013						
	Land	Hotel Building and Equipment	Furniture, Fixtures and Equipment	Operating Equipment	Transportation Equipment	Construction in Progress	Total
Measurement Basis:	*At Cost*	*Revalued*	*Revalued*	*At Cost*	*At Cost*	*At Cost*	
Cost							
Beginning balance	P650,000,000	P2,893,936,199	P35,772,707	P168,872,206	P -	P123,470,424	P3,872,051,536
Appraisal increase	-	119,502,186	3,551,410	-	-	-	123,053,596
Additions	-	2,306,431	712,405	2,076,734	-	56,126,096	61,121,656
Reclassifications	-	169,342,572	245,674	10,008,274	-	(179,596,520)	-
Disposals/retirements	-	-	(536,146)	-	-	-	(536,146)
Ending balance	650,000,000	3,184,987,388	39,746,050	180,957,214	-	-	4,055,690,642
Accumulated Depreciation							
Beginning balance	-	1,889,509,357	33,815,024	159,132,304	-	-	2,082,456,685
Depreciation for the year	-	74,491,221	1,302,601	5,835,439	-	-	81,629,261
Disposals/retirements	-	-	(536,146)	-	-	-	(536,146)
Ending balance	-	1,964,000,578	34,581,479	164,967,743	-	-	2,163,549,800
Carrying amount	P650,000,000	P1,220,986,810	P5,164,571	P15,989,471	P -	P -	P1,892,140,842

	For the Year Ended December 31, 2012						
	Land	Hotel Building and Equipment	Furniture, Fixtures and Equipment	Operating Equipment	Transportation Equipment	Construction in Progress	Total
Measurement Basis:	*At Cost*	*Revalued*	*Revalued*	*At Cost*	*At Cost*	*At Cost*	
Cost							
Beginning balance	P650,000,000	P2,961,308,077	P236,189,527	P159,967,116	P140,000	P -	P4,007,604,720
Additions	-	22,725,161	1,243,879	8,929,197	-	123,470,424	156,368,661
Disposals/retirements	-	(90,097,039)	(201,660,699)	(24,107)	(140,000)	-	(291,921,845)
Ending balance	650,000,000	2,893,936,199	35,772,707	168,872,206	-	123,470,424	3,872,051,536
Accumulated Depreciation							
Beginning balance	-	1,924,197,058	234,962,127	151,358,083	140,000	-	2,310,657,268
Depreciation for the year	-	55,409,338	513,596	7,798,328	-	-	63,721,262
Disposals/retirements	-	(90,097,039)	(201,660,699)	(24,107)	(140,000)	-	(291,921,845)
Ending balance	-	1,889,509,357	33,815,024	159,132,304	-	-	2,082,456,685
Carrying amount	P650,000,000	P1,004,426,842	P1,957,683	P9,739,902	P -	P123,470,424	P1,789,594,851

The Group engaged an independent firm of appraisers to determine the fair value of certain classes of its property and equipment, specifically hotel building and equipment and furniture, fixtures and equipment, which are carried at revalued amounts. Fair value was determined by reference to market-based evidence, which is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In determining fair value, an estimate was made in accordance with the prevailing prices for materials, equipment, labor, and contractor's overhead and all other costs associated with its acquisition while taking into account the depreciation resulting from physical deterioration, functional and economic obsolescence. The date of the latest revaluation was December 31, 2013, which resulted to the recognition of the appraisal increase amounting to P123.05 million in other comprehensive income.

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

	2013	2012
Hotel building and equipment	**P566,976,765**	P397,634,193
Furniture, fixtures and equipment	**250,057,871**	241,058,021
	817,034,636	638,692,214
Less accumulated depreciation	**587,188,276**	552,021,434
	P229,846,360	P86,670,780

Depreciation on cost charged to operations amounted to P35.17 million, P17.26 million and P12.48 million in 2013, 2012 and 2011 respectively. Depreciation on appraisal increase charged to operations amount to P46.46 million in 2013, 2012 and 2011.

The revaluation increment absorbed through depreciation and transferred directly to retained earnings, net of deferred tax effect, amounted to P32.52 million in 2013, 2012 and 2011.

As discussed in Note 12, the land, hotel building and equipment and furniture, fixtures and equipment with a total carrying amount of P1.67 billion and P1.70 billion as at December 31, 2013 and 2012, respectively, are used as collateral for the Group's loan with ICBC.

As discussed in Note 22a, the Group has lease agreements with PAGCOR and certain concessionaires involving the Group's available commercial spaces.

10. Trade and Other Current Payables

This account consists of:

	2013	2012
Trade payables	**P82,484,041**	P150,066,608
Accruals:		
Local taxes payable	**14,760,905**	16,271,098
Utilities	**9,549,872**	108,586
Vacation and sick leave	**4,297,696**	9,988,941
Laundry	**2,490,652**	2,078,677
Other accruals	**4,870,100**	1,569,423
Withholding taxes payable	**2,697,785**	2,254,632
Output tax payable	**1,984,252**	2,016,373
Service charge	**1,859,590**	1,915,209
Service charge withheld	**1,404,239**	1,079,087
Guest deposits	**907,744**	1,092,419
Unclaimed wages	**510,908**	868,616
Others	**4,443,441**	4,178,837
	P132,261,225	P193,488,506

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:

Category/ Transaction	Year	Note	Amount of the Transaction	Outstanding Balance: Due from a Related Party	Outstanding Balance: AFS Investment	Terms	Conditions
Group's Parent							
• Short-term advances	2013	a	P294,726,685	P517,609,726	P -	Non-interest bearing, and payable on demand	Unsecured; no impairment
	2012		191,064,446	572,051,985	-		
	2011		264,617,001	689,332,788	-		
Affiliate							
AFS Investment	2013	b	-	-	16,908,450	No impairment	
	2012		-	-	26,013,000		-
	2011		-	-	22,978,150		
Key Management Personnel							
• Short-term employee benefits	2013		9,150,597	-	-	-	-
	2012		9,051,837	-	-	-	-
	2011		8,624,654	-	-	-	-
• Post employment benefits	2013		649,152	-	-	-	-
	2012		642,143	-	-	-	-
	2011		632,846	-	-	-	-
TOTAL	2013			P517,609,726	P16,908,450		
TOTAL	2012			P572,051,985	P26,013,000		

a. The receivables from the Group's parent pertain to various noninterest-bearing, unsecured short-term advances by the Parent Company for and on behalf of WPI. The transactions with WPI also include its allocated share in the common operating expenses.

   In 2013, the Group entered into a settlement agreement with WPI whereby WPI will settle its remaining payables to the Group in 2014 subject to yearly renegotiation, renewal and repricing.

b. In July and August 2005, the BOD approved the conversion of the Parent Company's net receivables from related parties into 86,710,000 shares of stock of Wellex Industries, Inc. (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 Parent 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, 2013 and 2012 are P16.91 million and P26.01 million, respectively, resulting in a valuation loss of P9.10 million in 2013 and valuation gain of P3.03 million in 2012 and P16.82 million in 2011.

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 22a, in securing 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 the Philippine Business Bank. It stipulated that collection of the Parent Company's said future rental receivables may be applied as payment of the previously mentioned loans should there be default in principal payments.

12. Loan Payable

This represents the balance of the US$15 million loan obtained from ICBC under the terms and conditions of a Facility Agreement issued on March 27, 1995 which was amended on September 17, 1997 (collectively, the "Existing Facility Agreement"). The loan underwent several restructurings. The latest restructuring was approved by ICBC on November 12, 2013 after the Group made partial payment of US$700,000. Based on the approved restructured loan, the outstanding loan balance of US$6,917,900 as at December 31, 2013 is scheduled to be paid as follows:

Year	US Dollar
2014	$1,850,000
2015	3,372,000
2016	1,695,900
	$6,917,900

Other significant terms and conditions of the restructured loan include the following:

- Payment of restructuring fee of US$50,000 upon receipt of restructured loan documents (this is not yet paid as of the end of reporting period waiting for the copy of the restructured loan documents);
- Annual interest shall be at 3% above SIBOR;
- WPI shall be a corporate guarantor, and shall maintain at least 51% shareholding of the Parent Company throughout the loan tenor;
- The loan is covered 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 Parent Company (see Note 9); and
- The loan will be considered in default if no repayment of principal plus interest for two (2) consecutive months.

The reconciliation of the carrying amount of loan payable as at December 31, 2013 follows:

	Principal	Unamortized Restructuring Fee	Net Carrying Value
Current	P82,136,300	(P576,845)	P81,559,455
Noncurrent	225,004,624	(1,624,108)	223,380,516
	P307,140,924	**(P2,200,953)**	**P304,939,971**

Prior to the approval of the restructuring, the loan which has an outstanding balance of P314,128,747 at December 31, 2012 was presented as part of current liabilities.

13. Equity

a. *Capital Stock*

Common Shares

Common shares of the Group totaling 74,889,231 shares (representing 75% of the total outstanding stock of the Group) were previously held by ALB and were pledged by ALB in favor of Equitable-PCI Bank (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 8, 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	2013	2012
Authorized :			
Balance at beginning of year		**1,200,000,000**	300,000,000
Increase in authorized capital stock	*13b*	**-**	900,000,000
		1,200,000,000	1,200,000,000
Issued and outstanding:			
Balance at beginning of year		**346,100,520**	99,852,308
Stock dividends	*13b*	**-**	246,248,212
		346,100,520	346,100,520

Common shares have a par value of P1 per share.

As at December 31, 2013, 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 at December 31, 2013 and 2012 amounted to P10 million, consisting of 20,000 shares with a par value of P500 per share.

The Group'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 at December 31, 2013 and 2012, the Group'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 has 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 (including P10 million preferred shares) 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 at June 25, 2012.

14. Other Costs and Expenses

This account consists of:

	Note	**2013**	2012 (As restated - Note 23)	2011
Personnel costs	*16*	**P34,971,651**	P33,387,824	P29,453,872
Impairment losses, bad debts directly written off and provisions	*5, 8, 22c*	**32,466,093**	703,400	235,959,935
Advertising and promotion		**14,956,474**	14,890,584	14,292,300
Security services		**12,045,306**	11,579,825	11,652,803
Real estate taxes		**11,543,804**	11,543,804	11,543,804
Representation expense		**6,894,568**	5,122,890	7,942,934
Professional fees		**6,214,282**	7,354,574	8,180,250
Fire insurance		**5,720,519**	4,842,384	5,116,960
Medical expense		**4,402,429**	4,766,180	4,959,993
Printing and stationery		**3,949,569**	3,245,253	2,018,433
System support		**3,546,664**	3,361,983	3,368,301
Transportation and travel		**2,763,673**	2,348,163	1,562,250
Reservation		**2,485,638**	2,679,592	3,408,479
Taxes and licenses		**1,372,435**	4,373,403	7,253,662
Labor relations		**930,072**	3,603,949	-
Communications		**810,328**	890,129	999,705
Trainings and seminars		**635,859**	317,389	899,458
Insurance		**250,348**	398,165	102,846
Others		**7,009,118**	7,820,265	10,800,252
		P152,968,830	P123,229,756	P359,516,237

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

15. Financing Costs (Income)

This account consists of:

	Note	2013	2012	2011
Interest expense on loan payable	*12*	**P11,485,516**	P14,000,635	P13,395,680
Accretion expense	*22a*	**7,638,533**	7,083,867	6,569,477
Bank charges		**800,177**	809,812	1,172,364
Interest income		**(32,241)**	(52,171)	(162,535)
		P19,891,985	P21,842,143	P20,974,986

16. Personnel Costs

The allocation of personnel costs is as follows:

	Note	2013	2012 (As restated - Note 23)	2011
Cost of sales and services:				
Salaries and wages		**P65,542,070**	P66,024,872	P68,998,051
Retirement benefits cost (income)	*17*	**11,176,327**	15,655,892	(534,064)
Other employee benefits		**11,045,758**	11,584,553	31,244,659
		87,764,155	93,265,317	99,708,646
Others costs and expenses:				
Salaries and wages		**23,338,712**	19,555,391	20,097,582
Retirement benefits cost (income)	*17*	**4,004,021**	4,659,149	(116,756)
Other employee benefits		**7,628,918**	9,198,617	9,473,046
	14	**34,971,651**	33,413,157	29,453,872
		P122,735,806	P126,678,474	P129,162,518

17. 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 percentage of the employees' final monthly salary for every year of continuous service depending on the length of stay. Contributions and costs are determined in accordance with the actuarial studies made for the plan.

The latest independent actuarial valuation of the plan was as at December 31, 2013, 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 plan is registered with the Bureau of Internal Revenue (BIR) as a tax-qualified plan under Republic Act No. 4917, as amended.

The reconciliations of the present value of the defined benefit obligation to the retirement benefits liability presented in the statements of financial position are as follows:

2013	Fair Value of Plan Asset	Defined Benefit Obligation	Retirement Benefits Liability
Balance, January 1, 2013	**P5,001,246**	**(P145,851,744)**	**(P140,850,498)**
Included in Profit or Loss			
Current service cost	-	**(7,132,597)**	**(7,132,597)**
Net interest income (cost)	**236,628**	**(8,284,379)**	**(8,047,751)**
	236,628	**(15,416,976)**	**(15,180,348)**
Included in Other Comprehensive Income			
Remeasurement gains (losses):			
1. Actuarial gains (losses) arising from:			
▪ Financial assumptions	-	**(9,694,716)**	**(9,694,716)**
▪ Demographic assumptions	-	**29,636,242**	**29,636,242**
▪ Experience adjustments	-	**8,231,258**	**8,231,258**
2. Return on plan assets excluding interest income	**2,097,657**	-	**2,097,657**
	2,097,657	**28,172,784**	**30,270,441**
Other			
Benefits paid:			
From plan assets	**(1,670,512)**	**1,670,512**	-
From book reserves	-	**3,788,338**	**3,788,338**
	(1,670,512)	**5,458,850**	**3,788,338**
Balance, December 31, 2013	**P5,665,019**	**(P127,637,086)**	**(P121,972,067)**

2012 (As restated)	Fair Value of Plan Asset	Defined Benefit Obligation	Retirement Benefits Liability
Balance, January 1, 2012	P7,752,530	(P136,732,404)	(P128,979,874)
Included in profit or loss:			
Current service cost	-	(12,500,820)	(12,500,820)
Net interest income (cost)	430,743	(8,244,964)	(7,814,221)
	430,743	(20,745,784)	(20,315,041)
Included in other comprehensive income:			
Return on plan assets excluding interest income	(1,963,630)	-	(1,963,630)
Others			
Contribution	5,800,000	-	5,800,000
Benefits paid:			
From plan assets	(7,018,397)	7,018,397	-
From book reserves	-	4,608,047	4,608,047
	(1,218,397)	11,626,444	10,408,047
Balance, December 31, 2012	P5,001,246	(P145,851,744)	(P140,850,498)

The allocation of retirement benefits expense to personnel costs is presented in Note 16.

The Group's plan assets consist of the following:

	2013	2012
Debt instruments - government bonds	**P2,850,071**	P1,010,135
Cash and cash equivalents	**2,016,180**	2,951,352
Equity instruments	**245,862**	481,248
Real estate	**218,670**	230,558
Debt instruments - other bonds	**100,271**	117,859
Others	**233,965**	210,093
	P5,665,019	P5,001,245

The Group is not required to pre-fund the future defined benefits payable under the retirement plan before they become due. For this reason, the amount and timing of contributions to the retirement fund are at the Group's discretion. However, in the event a benefit claims arise and the retirement funds is insufficient to pay the claim, the shortfall will then be due and payable from the Group to the employee. Hence, there is no expected contribution to the defined benefit retirement plan in 2014.

The December 31 actuarial valuation uses these principal actuarial assumptions at the reporting date:

	2013	2012
Discount rate	**4.50%**	5.68%
Future salary increases	**10.00%**	10.00%

Assumptions regarding the mortality and disability rates are based on the 2001 CSO Table - Generational (Scale AA, Society of Actuaries) and the Disability Study, Period 2, Benefit 5 (Society of Actuaries), respectively.

The weighted-average duration of the defined benefit obligation is 18.7 years at December 31, 2013 and 2012.

Maturity analysis of the benefit payments over the period of 10 years:

	2013				
	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1-5 Years**	**Within 6-10 Years**
Defined benefit obligation	**P127,637,085**	**P85,062,370**	**P -**	**P21,156,592**	**P63,905,778**

<u>Sensitivity Analysis</u>

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	+ 1%	- 1%
Discount rate	**P9,206,254**	**(P8,290,724)**
Expected rate of salary increases	**7,534,901**	**(6,989,399)**

Should there be no attrition rates, the Group's DBO is expected to increase in the amount of P46,659,911 or 36.6%.

The retirement plan trustee has no specific matching strategy between the plan assets and the plan liabilities.

18. Income Taxes

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

	2013	2012 (As restated - Note 23)	2011 (As restated - Note 23)
Recognized in Profit or Loss			
Current tax expense	**P20,817,795**	P20,640,362	P21,329,591
Deferred tax benefit	**(4,965,260)**	(5,435,955)	(2,820,575)
	P15,852,535	P15,204,407	P18,509,016
Recognized in Other Comprehensive Income			
Deferred	**(P45,997,211)**	P589,089	(P1,523,295)

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 profit or loss are as follows:

	2013	2012 (As restated - Note 23)	2011 (As restated - Note 23)
Income (loss) before income tax	**P26,394,615**	P50,319,159	(P80,959,896)
Income tax at corporate rate of 30%	**P7,918,385**	P15,095,748	(P24,287,969)
Additions to (reductions in) income tax due to the tax effects of:			
Nondeductible provision	**7,604,115**	-	-
Nondeductible expense	**335,717**	117,854	-
Nondeductible interest expense	**3,990**	6,456	-
Nondeductible impairment loss on receivable from ALB	-	-	42,845,745
Interest income already subjected to final tax	**(9,672)**	(15,651)	(48,760)
	P15,852,535	P15,204,407	P18,509,016

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 movements for the deferred tax assets and liabilities are as follows:

December 31, 2013	Balance January 1 2013	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance December 31 2013
Deferred tax liabilities:				
Revaluation surplus on property and equipment	P466,114,154	(P13,938,727)	P36,916,079	P489,091,506
Rental receivable	21,061,944	(10,523,718)	-	10,538,226
Unamortized premium on security deposit	10,300,112	(2,291,560)	-	8,008,552
	497,476,210	(26,754,005)	36,916,079	507,638,284
Deferred tax assets:				
Advance rentals	99,366,464	(29,633,161)	-	69,733,303
Unrealized foreign exchange losses	35,301,532	3,348,768	-	38,650,300
Retirement benefits liability	42,255,150	3,417,601	(9,081,132)	36,591,619
Allowance for impairment losses on receivables	702,875	1,335,809	-	2,038,684
Accrued restructuring cost on loan payable	-	9,614	-	9,614
Unamortized past service costs	267,376	(267,376)	-	-
	177,893,397	(21,788,745)	(9,081,132)	147,023,520
	P319,582,813	(P4,965,260)	P45,997,211	P360,614,764

December 31, 2012	Balance January 1 2012	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance December 31 2012
Deferred tax liabilities:				
Revaluation surplus on property and equipment	P480,052,880	(P13,938,72 6)	P -	P466,114,154
Rental receivable	18,306,042	2,755,902	-	21,061,944
Unamortized premium on security deposit	12,425,273	(2,125,161)	-	10,300,112
	510,784,195	(13,307,985)	-	497,476,210
Deferred tax assets:				
Advance rentals	99,366,464	-	-	99,366,464
Unrealized foreign exchange losses	45,397,170	(10,095,638)	-	35,301,532
Retirement benefits liability	38,693,963	2,972,098	589,089	42,255,150
Allowance for impairment losses on receivables	970,419	(267,544)	-	702,875
Unamortized past service costs	748,322	(480,946)	-	267,376
	185,176,338	(7,872,030)	589,089	177,893,397
	P325,607,857	(P5,435,955)	(P589,089)	P319,582,813

19. 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.

	2013	2012 (As restated - Note 23)	2011
Net income (loss)	**P10,542,080**	P35,114,752	(P99,468,912)
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	**P0.03**	P0.10	(P0.29)

There are no dilutive potential common shares for the years ended December 31, 2013, 2012, and 2011. Accordingly, diluted EPS (LPS) is the same as basic EPS (LPS).

20. Financial Risk Management Objectives and Policies

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, trade payables 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 other current receivables, other current payables, 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, 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 at December 31 are set out below (in thousands):

	2013	2012
High grade	**P520,732**	P575,127
Standard grade	**18,555**	26,936
Substandard grade	**6,793**	2,343
	P546,080	P604,406

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 at 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:

	Note	2013	2012
Cash		**P10,627**	P6,462
Trade and other current receivables:			
Guests, concessionaires and other patrons		**26,991**	30,721
Others		**1,479**	1,633
Due from a related party - net	*11a*	**517,610**	572,052
		556,707	610,868
Less allowance for impairment losses	*5*	**6,796**	2,343
		P549,911	P608,525

Cash includes cash on hand and in banks as follows:

	2013	2012
Cash on hand	**P378,950**	P362,125
Cash in banks	**10,627,486**	6,462,246
	P11,006,436	P6,824,371

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 Due but not Impaired					Past Due
December 31, 2013	Total	Due nor Impaired	< 30 Days	30 - 60 Days	61 - 90 Days	91 - 120 Days	> 120 Days	and Impaired
Trade and other current receivables:								
Guests, concessionaires and other patrons	P26,991	P1,643	P8,416	P5,375	P1,366	P839	P2,556	P6,796
Others	1,480	1,480	-	-	-	-	-	-
Due from a related party	517,610	517,610	-	-	-	-	-	-
Total	P546,081	P520,733	P8,416	P5,375	P1,366	P839	P2,556	P6,796

		Neither Past	Past Due but not Impaired					Past Due
December 31, 2012	Total	Due nor Impaired	< 30 Days	30 - 60 Days	61 - 90 Days	91 - 120 Days	> 120 Days	and Impaired
Trade and other current receivables:								
Guests, concessionaires and other patrons	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	572,052	572,052	-	-	-	-	-	-
Total	P604,406	P575,127	P9,942	P5,453	P2,007	P1,257	P8,277	P2,343

Information on the Group's receivables that are impaired as of December 31, 2013 and 2012 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 collectability.

The total impairment losses on the financial assets recognized in the consolidated statements of comprehensive income amounted to P7.12 million, P0.70 million and P235.96 million in 2013, 2012, and 2011, 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 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, 2013	**Carrying Amount**	**Total**	**On Demand**	**Less than 1 Year**	**1 to 5 Years**	**> 5 Years**
Loan payable	P304,940	P351,713	P -	P112,083	P239,630	P -
Trade and other current payables (net of government payables)	131,561	131,561	66,712	64,849	-	-
Concessionaires' deposits	105,193	131,888	-	-	131,888	-
	P541,694	P615,162	P66,712	P176,932	P371,518	P -

	Total	Contractual Undiscounted Payments				
December 31, 2012	Carrying Amount	Total	On Demand	Less than 1 Year	1 to 5 Years	> 5 Years
Loan payable	P314,129	P324,338	P324,338	P -	P -	P -
Trade and other current payables (net of government payables)	209,446	209,446	122,042	87,404	-	-
Concessionaires' deposits	131,888	131,888	-	-	131,888	-
	P655,463	P665,672	P446,380	P87,404	P131,888	P -

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 3% above SIBOR. The carrying amount of the loan payable, which is due and demandable, amounted to US$6.92 million and US$7.63 million as of December 31, 2013 and 2012, respectively. The Philippine peso equivalent of this loan converted using the conversion rate imposed by ICBC as at December 31, 2013 and 2012 amounted to P307.14 million and P314.13 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 2013, and 2012 to a reasonably possible change in interest rates based on the historical volatility of SIBOR rates in the immediately preceding 12-month period. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's loan payable as at the reporting date. This analysis assumes a 0.70% and 26.44% decrease in prevailing interest rates as at December 31, 2013 and 2012, respectively, and 1.10% and 37.93% increases as at December 31, 2013 and 2012, respectively. All other variables are held constant.

	Decrease		Increase	
	-0.70%	-26.44%	**+1.10%**	+37.93%
	2013	2012	**2013**	2012
Net income	**P13,563**	P1,569,561	**P21,314**	(P2,251,978)
Equity	**13,563**	1,569,561	**21,314**	(2,251,978)

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

There are no other impacts 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:

	2013	
	US Dollar	**Philippine Peso**
Cash	**$7,183**	**P318,896**
Loan payable	**(6,917,900)**	**(307,140,924)**
Net foreign currency-denominated liability	**($6,910,717)**	**(P306,822,028)**

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

The Group recognized an unrealized foreign currency exchange loss amounting to P22.45million in 2013 and an unrealized foreign currency exchange gain amounting to P21.80 million in 2012, 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 2013 and 2012 income after income tax. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items. This analysis assumes a 3.95% and 3.20% strengthening as at December 31, 2013 and 2012, respectively, and 4.21% and 2.85% weakening as at December 31, 2013 and 2012, respectively, of the Philippine peso against the US dollar exchange rate:

	Strengthening		**Weakening**	
	3.95%	+3.20%	**-4.21%**	-2.85%
	2013	2012	**2013**	2012
Net income	**P8,490,372**	P7,019,230	**(P4,375,236)**	(P4,470,620)

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

Equity Price Risk

Equity price risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market

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 at December 31, 2013 and 2012.

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 2013. This analysis assumes a decrease of 17.24% for 2013 and 14.89% for 2012 and an increase of 24.14% for 2013 and 44.58% for 2012 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, 2013 and 2012, respectively. All other variables are held constant:

	Decrease		**Increase**	
	-17.24%	-14.89%	**24.14%**	44.68%
	2013	2012	**2013**	2012
Equity	**(P1,789,515)**	(P2,711,994)	**P3,233,685**	P8,135,981

Fair Value of Financial Assets and Liabilities
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).

The approximation of the fair value of the Company's AFS investment is based on Level 1.

21. Capital Management

The primary objective of the Group's capital management is to ensure its ability to continue as a going concern and that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. 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 2013 and 2012. 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:

	2013	2012 (As restated - Note 23)
Total liabilities	**P1,307,026,488**	P1,420,749,740
Total equity	**1,232,618,204**	1,123,853,848
	1.06:1	1.26:1

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

22. Significant Commitments and Contingencies

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

	Note	2013	2012
Rental receivable	*22a*	**P35,127,421**	P70,206,479
Advances to contractor	*22b*	**205,750**	16,729,329
Other deposits and noncurrent assets		**6,352,444**	12,117,980
		P41,685,615	P99,053,788

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 and certain concessionaires.

Lease by PAGCOR of Casino Venue

The lease agreement with PAGCOR is non-cancellable, for long-term, include renewal terms and is 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 P232.44 million in 2013 and P331.22 million in 2012.

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 P105.19 million, P97.55 million and P90.47 million as at December 31, 2013, 2012 and 2011, 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 profit or loss (see Note 15). 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:

	2013	2012
Within one year	**P340,651,944**	P331,606,103
After one year but not more than five years	**691,373,227**	1,038,607,080
	P1,032,025,171	P1,370,213,183

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.

Other Leases
The Group also has lease agreements with other concessionaires of the Hotel's available commercial spaces. These agreements typically run for a period of less than one year, renewable upon the mutual agreement of the parties.

The rental income from the lease contracts, recognized in the statements of comprehensive income on a straight-line basis amounted to P366.69 million, P265.73 million and P310.68 million in 2013, 2012 and 2011, respectively. Rental receivables recognized as part of "Other noncurrent assets" account in the consolidated statements of financial position arising from straight-line method of rental recognition amounted to P35.13 million and P70.21 million in 2013 and 2012, respectively.

b. 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 consolidated statements of financial position. As at December 31, 2013 and 2012, advance payments to the contractor account has a balance of P0.21 million and P16.73 million, respectively.

c. Provisions and Contingencies

The reconciliation of the carrying value of the Group's provision follows:

	Note	2013	2012
Balance at beginning of year		**P20,227,960**	P20,227,960
Provision for the year	14	**25,347,052**	-
		P45,575,012	P20,227,960

In consultation with the legal counsels, management believes that the provision recognized sufficiently represents the amount of probable liability that the Group may settle in the event that the cases as discussed below will ultimately be decided against the Group.

Tax Case Involving Tax Assessment from the Treasurer of the City of Manila
After filing of protest letters, petitions and appeals, the case was subsequently decided against the Group on January 9, 2014 by the Court of Tax Appeals (CTA) En Banc who ordered the dismissal of the petition for review filed by the Group and ordered the Group to pay the Manila City treasurer's office for P45.58 million. On January 24, 2014, the Group subsequently filed a motion for reconsideration with the CTA.

The case arose from the notice of assessment issued by the Manila City treasurer's office on July 13, 2007 demanding the Group to pay for deficiency business tax for the years 2004 to 2006 totaling P45.58 million (including interest and penalties), arising principally from non declaration for local tax purposes of revenues derived from services in connection with the operation of PAGCOR in the Group's hotel.

Other Legal Cases
The Group also is a defendant in other legal and labor 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 results operations.

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.

23. Change in Accounting Policy

As a result of PAS 19 (Amended 2011), the Group has changed its accounting policy with respect to the elimination of the "corridor method" under which the recognition of actuarial gains and losses could be deferred. Instead, all actuarial gains and losses are recognized immediately in other comprehensive income.

Furthermore, the Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Consequently, the net interest on the net defined benefit liability (asset) now comprises: interest cost on the defined benefit obligation, interest income on plan assets, and interest on the effect on the asset ceiling. Previously, the Group determined interest income on plan assets based on their long-term rate of expected return.

This change in accounting policy was applied retrospectively. The opening statement of financial position of the earliest comparative period presented as at January 1, 2012 and the comparative amounts in 2012 have been restated accordingly.

The impact of the restatement as at and for the year ended December 31, 2013 is as follows:

	Increase (Decrease)
Consolidated Statement of Financial Position	
Retirement benefits liability	(P39,304,006)
Deferred tax liabilities – net	11,791,201
Retained earnings	4,143,681
Retirement benefits reserves	23,369,124
Consolidated Statement of Comprehensive Income	
Cost and expenses	(P5,953,953)
Income tax expense	1,786,186
Increase in net income	4,167,767
Actuarial gains on defined benefit plan	30,270,441
Deferred tax effect	(9,081,132)
Increase in OCI, net of tax	21,189,309
Overall increase on total comprehensive income	25,357,076
Increase in earnings per share	P0.01
Consolidated Statement of Cash Flows	
Income before income tax	P5,953,954
Retirement expense	(5,953,954)

The impact of the restatement as at and for the year ended December 31, 2012 is as follows:

	As Previously Reported	Effect of Restatement	As Restated
Consolidated Statement of Financial Position			
Retirement benefits liability	P143,930,110	(P3,079,612)	P140,850,498
Deferred tax liabilities - net	318,658,930	923,883	319,582,813
Retained earnings	130,077,077	(24,086)	130,052,991
Retirement benefits reserve	-	2,179,815	2,179,815
Consolidated Statement of Comprehensive Income			
Cost and expenses	422,376,905	34,409	422,411,314
Income tax expense	15,214,730	(10,323)	15,204,407
Decrease in net income		24,086	
Actuarial losses on defined benefit plan	-	(1,963,630)	(1,963,630)
Deferred tax effect	-	589,089	589,089
Decrease in OCI, net of tax		(1,374,541)	
Overall decrease on total comprehensive income		(1,398,627)	
Consolidated Statement of Cash Flows			
Income before income tax	P50,353,568	(P34,409)	P50,319,159
Retirement expense	20,280,632	34,409	20,315,041

The change did not significantly affect the previously reported earnings per share in 2012.

The impact of the restatement as at January 1, 2012 is as follows:

	As Previously Reported	Effect of Restatement	As Restated
Consolidated Statement of Financial Position			
Retirement liability	P134,057,525	(P5,077,651)	P128,979,874
Deferred tax liabilities - net	324,084,562	1,523,295	325,607,857
Retirement benefits reserve	-	3,554,356	3,554,356

The equity as of January 1, 2011 was not restated as the impact of the change is not significant.

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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders
Acesite (Phils.) Hotel Corporation and Subsidiary
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 and Subsidiary (the "Group") as at and for the year ended December 31, 2013 on which we have rendered our report dated April 10, 2014.

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

- 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 audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

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Partner
CPA License No. 0035026
SEC Accreditation No. 0047-AR-3, Group A, valid until March 28, 2015
Tax Identification No. 112-071-561
BIR Accreditation No. 08-001987-11-2013
Issued May 9, 2013; valid until May 8, 2016
PTR No. 4225132MC
Issued January 2, 2014 at Makati City

April 10, 2014
Makati City, Metro Manila

PRC-BOA Registration No. 0003, valid until December 31, 2016
SEC Accreditation No. 0004-FR-3, Group A, valid until November 22, 2014
IC Accreditation No. F-0040-R, Group A, valid until September 11, 2014
BSP Accredited, Category A, valid until December 17, 2014

ANNEX A

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, 2013

Unappropriated Retained Earnings, January 1, 2013	**P127,529,473**
Adjustments:	
Cumulative unrealized actuarial gains, net of tax effect	(257,240)
Treasury shares	(12,041,700)
Unappropriated Retained Earnings, As Adjusted, January 1, 2013	**115,230,533**
Add:	
Net income for the year closed to retained earnings	9,336,519
Depreciation on revaluation increment on property and equipment, net of tax effect	32,523,694
	41,860,213
RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION, DECEMBER 31, 2013	**P157,090,746**

Figures based on audited Separate Financial Statements.

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, 2013

Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✔		
PFRSs Practice Statement Management Commentary				
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✔		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✔		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✔		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✔		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✔
	Amendments to PFRS 1: Government Loans			✔
	Annual Improvements to PFRSs 2009 - 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards - Repeated Application of PFRS 1			✔
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Borrowing Cost Exemption			✔
PFRS 2	Share-based Payment			✔
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✔
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✔
PFRS 3 (Revised)	Business Combinations	✔		
PFRS 4	Insurance Contracts			✔
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✔
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✔
PFRS 6	Exploration for and Evaluation of Mineral Resources			✔

PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
	Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39			✓
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities	✓		
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of Financial Statements - Comparative Information beyond Minimum Requirements			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		

[redacted]				
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Property, Plant and Equipment - Classification of Servicing Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
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	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Financial Instruments Presentation - Income Tax Consequences of Distributions			✓
PAS 33	Earnings per Share	✓		

PAS 34	Interim Financial Reporting			✔
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Interim Financial Reporting - Segment Assets and Liabilities			✔
PAS 36	Impairment of Assets	✔		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✔		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✔		
PAS 38	Intangible Assets			✔
PAS 39	Financial Instruments: Recognition and Measurement	✔		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✔		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✔
	Amendments to PAS 39: The Fair Value Option	✔		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✔		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✔
	Amendment to PAS 39: Eligible Hedged Items			✔
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✔
PAS 40	Investment Property			✔
PAS 41	Agriculture			✔
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✔
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✔
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✔
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✔
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✔

IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✔
IFRIC 9	Reassessment of Embedded Derivatives			✔
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✔
IFRIC 10	*Interim Financial Reporting and Impairment*			✔
IFRIC 12	Service Concession Arrangements			✔
IFRIC 13	Customer Loyalty Programmes			✔
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✔		
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement	✔		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✔
IFRIC 17	Distributions of Non-cash Assets to Owners			✔
IFRIC 18	Transfers of Assets from Customers			✔
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✔
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✔
IFRIC 21	Levies			✔
SIC-7	Introduction of the Euro			✔
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✔
SIC-15	Operating Leases - Incentives			✔
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✔
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✔		
SIC-29	Service Concession Arrangements: Disclosures.			✔
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✔
SIC-32	Intangible Assets - Web Site Costs			✔
Philippine Interpretations Committee Questions and Answers				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			✔
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements			✔
PIC Q&A 2007-01-Revised	PAS 1.103(a) - Basis of preparation of financial statements if an entity has not applied PFRSs in full			✔
PIC Q&A 2007-03	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)			✔

PIC Q&A 2007-04	PAS 101.7 - Application of criteria for a qualifying NPAE			✓
PIC Q&A 2008-01-Revised	PAS 19.78 - Rate used in discounting post-employment benefit obligations	✓		
PIC Q&A 2008-02	PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20			✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2009-02	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-01	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-02	PAS 1R.16 - Basis of preparation of financial statements	✓		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan	✓		
PIC Q&A 2011-01	PAS 1.10(f) - Requirements for a Third Statement of Financial Position	✓		
PIC Q&A 2011-02	PFRS 3.2 - Common Control Business Combinations			✓
PIC Q&A 2011-03	Accounting for Inter-company Loans	✓		
PIC Q&A 2011-04	PAS 32.37-38 - Costs of Public Offering of Shares			✓
PIC Q&A 2011-05	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost			✓
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of Investment properties - asset acquisition or business combination?			✓
PIC Q&A 2012-01	PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			✓
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✓
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
PIC Q&A 2013-03	PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law			✓

ANNEX C

ACESITE (PHILS.) HOTEL CORPORATION AND SUBSIDIARY
SUPPLEMENTARY SCHEDULE REQUIRED UNDER SRC RULE 68
AS AMENDED (2011)
Map of Conglomerate

ACESITE (PHILS.) HOTEL CORPORATION AND SUBSIDIARY

Table of Contents

Supplementary Schedules
Required Under SRC Rule 68, As Amended (2011)
December 31, 2013

ACESITE (PHILS.) HOTEL CORPORATION AND SUBSIDIARY
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2013

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, 2013	Income Received and Accrued
Cash	-	P11,006,436	P11,006,436	P32,241
Trade and other current receivables - net	-	21,674,725	21,674,725	-
Due from Waterfront Philippines, Inc.	-	517,609,726	517,609,726	-
Available-for-sale investment	86,710,000	16,908,450	16,908,450	
	86,710,000	P567,199,337	P567,199,337	P32,241

See Notes 5, 11a, 11b and 21 of the Consolidated Financial Statements.

ACESITE (PHILS.) HOTEL CORPORATION AND SUBSIDIARY
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS
EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (Other than Related Parties)
DECEMBER 31, 2013

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.	P572,051,985	P295,461,750	P349,904,009	P-	P517,609,726	P-	P517,609,726

See Note 11a of the Consolidated Financial Statements.

ACESITE (PHILS.) HOTEL CORPORATION AND SUBSIDIARY
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED
DURING CONSOLDIATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2013

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

Nothing to report

ACESITE (PHILS.) HOTEL CORPORATION AND SUBSIDIARY
SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2013

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

Nothing to report

ACESITE (PHILS.) HOTEL CORPORATION AND SUBSIDIARY
SCHEDULE E - LONG-TERM DEBT
DECEMBER 31, 2013

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)			
Restructured in 2013	P304,939,971	P81,559,455	P223,380,516

See Note 12 of the Consolidated Financial Statements.

ACESITE (PHILS.) HOTEL CORPORATION AND SUBSIDIARY
SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES
DECEMBER 31, 2013

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

Nothing to report

ACESITE (PHILS.) HOTEL CORPORATION AND SUBSIDIARY
SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2013

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

Nothing to report

ACESITE (PHILS.) HOTEL CORPORATION AND SUBSIDIARY
SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2013

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	1,200,000,000	344,747,520	1,353,000	199,511,257	13,846	145,222,417
Preferred shares	20,000	-	-	-	-	-
	1,200,020,000	344,747,520	1,353,000	199,511,257	13,846	145,222,417

See Note 13 of the Consolidated Financial Statements.

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, 2013**. 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, 2013** 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 income 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
Chairman of the Board

KENNETH T. GATCHALIAN
President & CEO

ELVIRA A. TING
Treasurer & CFO

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
Date APR 30 2014 SDS
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PRECIOSA C. JAVIER

4/30/14
[illegible]ELLE V. TAMPUCAO

6/F MANILA PAVILION HOTEL, U.N. AVENUE, ERMITA, MANILA, PHILIPPINES
TEL. (632) 526-1212 • FAX (632) 521-4350

COVER SHEET

7199

S.E.C. Registration Number

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

(Company's Full Name)

Room 610, Manila Pavilion Hotel, United Nations Avenue Ermita, Manila

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

Ms. Precilla O. Toriano

Contact Person

(02)526-6211

Company Telephone Number

12	31	AFS13		
Month	*Day*	FORM TYPE	*Month*	*Day*
			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes.

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

SEPARATE FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

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

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

REPORT OF INDEPENDENT AUDITORS

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

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
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Report on the Separate 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, 2013 and 2012, 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, 2013, 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 separate financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

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

PRC-BOA Registration No. 0003, valid until December 31, 2016
SEC Accreditation No. 0004-FR-3, Group A, valid until November 23, 2014
IC Accreditation No. F-0040-R, Group A, valid until September 11, 2014
BSP Accredited, Category A, valid 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, 2013 and 2012, and its unconsolidated financial performance and its unconsolidated cash flows for each of the three years in the period ended December 31, 2013, in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 19-2011 and RR No. 15-2010 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 24 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.

R.G. MANABAT & CO.

VIRGILIO L. MANGUILIMOTAN
Partner
CPA License No. 0035026
SEC Accreditation No. 0047-AR-3, Group A, valid until March 28, 2015
Tax Identification No. 112-071-561
BIR Accreditation No. 08-001987-11-2013
Issued May 9, 2013; valid until May 8, 2016
PTR No. 4225132MC
Issued January 2, 2014 at Makati City

April 10, 2014
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

C.T.D. S E C APR 30 2014 RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

	Note	December 31 2013	December 31 2012 (As restated - Note 23)	January 1 2012 (As restated - Note 23)
ASSETS				
Current Assets				
Cash	20	**P11,006,436**	P6,824,371	P28,257,128
Trade and other current receivables - net	5	**21,674,725**	30,011,233	37,155,931
Inventories	6	**5,438,455**	6,845,798	14,686,078
Due from a related party - net	11a	**517,609,726**	572,051,985	689,532,788
Prepaid expenses and other current assets	7	**33,180,443**	14,074,633	4,352,547
Total Current Assets		**588,909,785**	629,808,020	773,984,472
Noncurrent Assets				
Property and equipment - net	8, 12	**1,242,140,842**	1,139,594,851	1,046,947,452
Investment in a subsidiary	9	**459,762,500**	459,762,500	459,762,500
Available-for-sale investment	11c	**16,908,450**	26,013,000	22,978,150
Other noncurrent assets	22	**41,373,115**	98,741,289	114,090,804
Total Noncurrent Assets		**1,760,184,907**	1,724,111,640	1,643,778,906
		P2,349,094,692	P2,353,919,660	P2,417,763,378
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other current payables	10	**P136,242,974**	P195,910,684	P169,103,515
Provision	22d	**45,575,012**	20,227,960	20,227,960
Current portion of loan payable	12	**81,559,455**	314,128,747	367,098,607
Current portion of advance rentals	22a	**58,942,464**	58,942,464	-
Due to a subsidiary	11	**829,936**	698,919	-
Contract payable	9	**-**	-	86,260,000
Income tax payable		**3,787,787**	3,340,108	2,730,511
Total Current Liabilities		**326,937,628**	593,248,882	645,420,593

Forward

BUREAU OF INTERNAL REVENUE LARGE TAXPAYERS SERVICE LARGE TAXPAYERS ASSISTANCE DIVISION I
Date APR 30 2014 SDS
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	Note	December 31 2013	December 31 2012 (As restated - Note 23)	January 1 2012 (As restated - Note 23)
Noncurrent Liabilities				
Loan payable - net of current portion	*12*	**P223,380,516**	P -	P -
Advance rentals - net of current portion	*22a*	**173,501,878**	272,279,084	331,221,548
Concessionaires' deposits	*22a*	**105,193,239**	97,554,706	90,470,839
Net retirement benefits liability	*17*	**121,972,067**	140,850,498	128,979,874
Deferred tax liabilities - net	*18*	**169,220,239**	128,656,160	135,163,021
Total Noncurrent Liabilities		**793,267,939**	639,340,448	685,835,282
Total Liabilities		**1,120,205,567**	1,232,589,330	1,331,255,875
Equity	*13*			
Capital stock		**346,100,520**	346,100,520	99,852,308
Revaluation surplus on property and equipment - net	*8*	**697,413,515**	643,799,692	676,323,386
Retirement benefits reserve	*17, 23*	**23,369,124**	2,179,815	3,554,356
Unrealized valuation gain (loss) on available-for-sale investment	*11c*	**4,657,980**	13,762,530	10,727,680
Retained earnings		**169,389,686**	127,529,473	308,091,473
Treasury stock - at cost	*13*	**(12,041,700)**	(12,041,700)	(12,041,700)
Total Equity		**1,228,889,125**	1,121,330,330	1,086,507,503
		P2,349,094,692	P2,353,919,660	P2,417,763,378

See Notes to the Separate financial statements.

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

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

			Years Ended December 31	
	Note	**2013**	2012 (As restated - Note 23)	2012 (As restated - Note 23)
REVENUES				
Rental	*22a*	**P366,692,412**	P265,725,122	P310,675,605
Rooms		**117,518,777**	134,071,506	162,823,508
Food and beverage		**87,935,772**	133,428,998	159,154,862
Transportation		**967,450**	1,118,150	904,801
Guest laundry and valet		**616,415**	866,234	757,213
Telephone		**473,665**	668,816	1,057,105
Executive business center		**152,245**	287,634	380,441
Others		**1,093,949**	336,405	117,749
		575,450,685	536,502,865	635,871,284
COSTS AND EXPENSES OTHER THAN DEPRECIATION AND FINANCIANG COSTS	*6, 16*			
Food and beverage		**91,433,367**	108,302,426	139,168,255
Energy cost		**63,951,816**	61,682,003	56,626,688
Property operations and maintenance		**62,125,800**	74,938,254	24,190,546
Rooms		**46,223,750**	45,289,349	49,041,593
Telephone		**6,446,833**	6,944,606	6,318,957
Transportation		**1,183,547**	1,200,879	1,459,280
Executive business center		**416,482**	508,059	567,228
Guest laundry and valet		**237,493**	315,982	25,689
Others		**154,868,844**	126,018,662	360,332,357
		426,887,932	425,200,220	637,730,593
INCOME (LOSS) BEFORE DEPRECIATION, FINANCING COSTS AND INCOME TAX		**148,562,753**	111,302,645	(1,859,309)
DEPRECIATION AND FINANCING COSTS				
Depreciation	*8*	**81,629,261**	63,721,262	58,940,310
Foreign exchange losses (gains) - net		**22,546,906**	(21,791,013)	1,411
Financing costs - net	*15, 22a*	**19,891,985**	21,842,143	20,974,986
		124,068,152	63,772,392	79,916,707

Forward

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
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	Note	2013	2012 (As restated - Note 23)	2012 (As restated - Note 23)
			Years Ended December 31	
INCOME (LOSS) BEFORE INCOME TAX		**P24,494,601**	P47,530,253	(P81,776,016)
INCOME TAX EXPENSE	*18*	**15,158,082**	14,367,735	18,264,180
NET INCOME (LOSS)		**9,336,519**	33,162,518	(100,040,196)
OTHER COMPREHENSIVE INCOME				
Items that will never be reclassified to profit or loss				
Appraisal increase on property and equipment for the year	*8*	**123,053,596**	-	-
Remeasurement gains (losses) on defined benefit plan	*17, 23*	**30,270,441**	(1,963,630)	5,077,651
Deferred tax effect	*18, 23*	**(45,997,211)**	589,089	(1,523,294)
		107,326,826	(1,374,541)	3,554,357
Item that may be reclassified to profit or loss				
Unrealized gain (loss) on available-for-sale investment recognized for the year	*11c*	**(9,104,550)**	3,034,850	16,821,740
		98,222,276	1,660,309	20,376,097
TOTAL COMPREHENSIVE INCOME (LOSS)		**P107,558,795**	P34,822,827	(P79,664,099)
EARNINGS (LOSS) PER SHARE - BASIC AND DILUTED	*19*	**P0.03**	P0.10	(P0.29)

See Notes to the Separate 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, 2013

	Note	Capital Stock (Note 13a)	Revaluation Surplus on Property and Equipment (Note 8)	Retirement Benefits Reserve (Notes 17 and 23)	Unrealized Valuation Gain (Loss) on Available-for-sale Investment (Note 11c)	Retained Earnings	Treasury Stock (Note 13a)	Total
As of January 1, 2013, As previously reported		P346,100,520	P643,799,692	P2,179,815	P13,762,530	P127,553,559	(P12,041,700)	P1,121,354,416
Impact of change in accounting policy	23	-	-	-	-	(24,086)	-	(24,086)
As of January 1, 2013, As restated		346,100,520	643,799,692	2,179,815	13,762,530	127,529,473	(12,041,700)	1,121,330,330.
Total comprehensive income for the year								
Net income for the year		-	-	-	-	9,336,519	-	9,336,519
Transfer of revaluation surplus absorbed through depreciation for the year - net of tax effect		-	(32,523,694)	-	-	32,523,694	-	-
Other comprehensive income - net of tax effect		-	86,137,517	21,189,309	(9,104,550)	-	-	98,222,276
		-	53,613,823	21,189,309	(9,104,550)	41,860,213	-	107,558,795
Balance at December 31, 2013		P346,100,520	P697,413,515	P23,369,124	P4,657,980	P169,389,686	(P12,041,700)	P1,228,889,125

See Notes to the Separate 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, 2012

	Note	Capital Stock (Note 13a)	Revaluation Surplus on Property and Equipment (Note 8)	Retirement Benefits Reserve (Notes 17 and 23)	Unrealized Valuation Gain (Loss) on Available-for-sale Investment (Note 11c)	Retained Earnings	Treasury Stock (Note 13a)	Total
As of January 1, 2012,								
As previously reported		P99,852,308	P676,323,386	P -	P10,727,680	P308,091,473	(P12,041,700)	P1,082,953,147
Impact of change in accounting policy	23	-	-	3,554,356	-		-	3,554,356
As of January 1, 2012, As restated		99,852,308	676,323,386	3,554,356	10,727,680	308,091,473	(12,041,700)	1,086,507,503
Total comprehensive income for the year								
Net income for the year, As restated		-	-	-	-	33,162,518	-	33,162,518
Transfer of revaluation surplus absorbed through depreciation for the year - net of tax effect		-	(32,523,694)	-	-	32,523,694	-	-
Other comprehensive income - net of tax effect		-	-	(1,374,541)	3,034,850	-	-	1,660,309
		-	(32,523,694)	(1,374,541)	3,034,850	65,686,212	-	34,822,827
Transaction with owners of the Company								
Stock dividends		246,248,212	-	-	-	(246,248,212)	-	-
Balance at December 31, 2012		P346,100,520	P643,799,692	P2,179,815	P13,762,530	P127,529,473	(P12,041,700)	P1,121,330,330

See Notes to the Separate 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, 2011

	Capital Stock (Note 13a)	Revaluation Surplus on Property and Equipment (Note 8)	Retirement Benefits Reserve (Notes 17 and 23)	Unrealized Valuation Gain (Loss) on Available-for-sale Investment (Note 11c)	Retained Earnings	Treasury Stock (Note 13a)	Total
As of January 1, 2011, As previously reported	P99,852,308	P708,847,080	P -	(P6,094,060)	P375,607,975	(P12,041,700)	P1,166,171,603
Total comprehensive income for the year							
Net loss for the year	-	-	-	-	(100,040,196)	-	(100,040,196)
Transfer of revaluation surplus absorbed through depreciation for the year - net of tax effect	-	(32,523,694)	-	-	32,523,694	-	-
Other comprehensive income - net of tax effect, As restated	-	-	3,554,356	16,821,740	-	-	20,376,096
	-	(32,523,694)	3,554,356	16,821,740	(67,516,502)	-	(79,664,100)
As of December 31, 2011, As restated	P99,852,308	P676,323,386	P3,554,356	P10,727,680	P308,091,473	(P12,041,700)	P1,086,507,503

See Notes to the Separate Financial Statements.

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

SEPARATE STATEMENTS OF CASH FLOWS

	Note	2013	2012 (As restated - Note 23)	2011
			Years Ended December 31	
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		**P24,494,601**	P47,530,253	(P81,776,016)
Adjustments for:				
Depreciation	*8*	**81,629,261**	63,721,262	58,940,310
Impairment losses, write-off of receivables and provision	*14*	**32,466,093**	703,400	235,959,935
Net unrealized foreign exchange loss (gain)		**22,557,561**	(21,803,958)	(265,882)
Retirement benefits expense (income)	*17*	**15,180,348**	20,315,041	(650,820)
Interest expense on loan payable	*15*	**11,485,516**	14,000,635	13,395,680
Accretion expense - net	*15*	**7,638,533**	7,083,867	6,569,477
Loss (gain) on disposal of property and equipment	*8*	**-**	(135,000)	1,568,412
Interest income	*15*	**(32,241)**	(52,171)	(162,535)
Operating income before working capital changes		**195,419,672**	131,363,329	233,578,561
Decrease (increase) in:				
Trade and other current receivables		**1,217,467**	6,441,298	3,453,592
Inventories		**1,407,343**	7,840,280	(1,466,174)
Prepaid expenses and other current assets		**(19,105,810)**	(9,722,086)	2,219,625
Increase (decrease) in:				
Trade and other current payables		**(60,575,147)**	26,807,169	(20,397,513)
Advances from a subsidiary		**1,038,454**	698,919	-
Advance rentals		**(98,777,206)**	-	13,072,297
Concessionaires' deposits		**-**	-	(647,795)
Cash generated from operations		**20,624,773**	163,428,909	229,812,593
Interest received		**32,241**	52,171	162,535
Contribution to retirement fund	*17*	**-**	(5,800,000)	(5,000)
Benefits paid	*17*	**(3,788,338)**	(4,608,047)	-
Income tax paid		**(20,143,535)**	(19,675,910)	(36,422,310)
Net cash provided by (used in) operating activities		**(3,274,859)**	133,397,123	193,547,818

Forward

	Note	2013	2012 (As restated - Note 23)	2011
			Years Ended December 31	
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (increase) in:				
Due from a related party	*11*	**P54,442,259**	P117,480,803	(P110,578,826)
Other noncurrent assets	*22*	**57,368,174**	15,349,515	(53,959,256)
Acquisitions of property and equipment	*8*	**(61,121,656)**	(156,368,661)	(10,330,948)
Investment in a subsidiary	*9, 22*	**-**	-	(21,565,000)
Payment of contract payable		**-**	(86,260,000)	-
Proceeds from disposal of property and equipment		**-**	135,000	-
Net cash provided by (used in) investing activities		**50,688,777**	(109,663,343)	(196,434,030)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest expense paid		**(11,453,469)**	(14,000,635)	(13,395,680)
Payment of mortgage loan	*12*	**(31,778,384)**	(31,165,902)	-
Net cash used in financing activities		**(43,231,853)**	(45,166,537)	(13,395,680)
NET INCREASE (DECREASE) IN CASH		**4,182,065**	(21,432,757)	(16,281,892)
CASH AT BEGINNING OF YEAR		**6,824,371**	28,257,128	44,539,020
CASH AT END OF YEAR		**P11,006,436**	P6,824,371	P28,257,128

See Notes to the Separate financial statements.

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 (APHC or the "Company") was incorporated in the Philippines 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. APHC is a 59.78%-owned subsidiary of Waterfront Philippines, Inc. (WPI) and its ultimate parent is The Wellex Group, Inc., both of which are incorporated in the Philippines.

The Company is the owner and operator 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.

In October 2011, the Company acquired CIMA Realty Phil., Inc. (CIMAR), and became its wholly-owned subsidiary (see Note 9). CIMAR was incorporated in the Philippines and registered with the SEC primarily to engage in the business of real estate, and is the owner of the land on which the Hotel is situated.

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 of the Company and CIMAR.

Users of these separate financial statements should read them together with the consolidated financial statements as of and for the year ended December 31, 2013 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 year ended December 31, 2013 were approved and authorized for issue by the Board of Directors (BOD) on April 10, 2014.

Basis of Measurement
The separate financial statements of the Company have been prepared on a historical cost basis of accounting, except for the following items which are measured on an alternative basis at each reporting date:

Items	Measurement Basis
Hotel building and equipment and furniture and fixtures	Revalued amount less accumulated depreciation and impairment losses
Available-for-sale (AFS) investment	Fair value
Retirement benefits liability	Net of total plan asset and present value of defined benefit obligation

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.

3. 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, 2013, 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.

- *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.

  Control is re-assessed as facts and circumstances change.

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

- 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) includes the following requirements:

  - actuarial gains and losses are recognized immediately in other comprehensive income; this change removes the corridor method and eliminates the ability for entities to recognize all changes in the DBO and in plan assets in profit or loss; and
  - interest income recognized in profit or loss is calculated based on the rate used to discount the DBO.

  The Company has applied the relevant transitional provisions of the amended standard on a retrospective basis and provided more extensive disclosures. The nature and the impact of the changes are presented in Note 23 to the financial statements while the new disclosures required by the amendments are presented as part of Note 17 to the financial statements.

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

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

- *Annual Improvements to PFRSs 2009 - 2011 Cycle* - various standards contain amendments to five standards with consequential amendments to other standards and interpretations. The 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 - *Borrowing Cost Exemption*. This is amended to clarify how the exemption should be applied for borrowing costs relating to qualifying assets for which the commencement date of capitalization is before the date of transition to PFRSs.

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

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

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

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

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

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

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

      has a material effect upon the information in that statement of financial position;
    - except for the disclosures required under PAS 8, notes related to the opening statement of financial position are no longer required; and

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

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

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

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

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

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

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

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

<u>New and Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted</u>

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2013, and have not been applied in preparing these separate financial statements. None of these are expected to have a significant effect on the 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, 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.

- Recoverable Amount Disclosures for Non-financial Assets *(Amendments to PAS 36)*. These narrow-scope amendments to PAS 36 address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments clarified that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

To be Adopted on July 1, 2014

- Defined Benefit Plans: Employee Contributions *(Amendments to PAS 19)*. The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

To be Adopted (No definite date - Originally January 1, 2015

- PFRS 9, *Financial Instruments* (2009), PFRS 9, *Financial Instruments* (2010) and PFRS 9, *Financial Instruments* (2013)

  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.

  PFRS 9 (2013) introduces the following amendments:

  - A substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements;
  - Changes to address the so-called 'own credit' issue that were already included in PFRS 9 *Financial Instruments* to be applied in isolation without the need to change any other accounting for financial instruments; and
  - Removes the January 1, 2015 mandatory effective date of PFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements.

  The IASB is currently discussing some limited amendments to the classification and measurement requirements in IFRS 9 and is also discussing the expected credit loss impairment model to be included in IFRS 9. Once those deliberations are complete the IASB expects to publish a final version of IFRS 9 that will include all of the phases: Classification and Measurement; Impairment and Hedge Accounting. That version of IFRS 9 will include a new mandatory effective date.

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 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

Financial Assets

The Company classifies its financial assets in the following categories: (a) at FVPL, (b) loans and receivables, (c) HTM investments, and (d) AFS financial assets. The Company's classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The Company only holds financial assets classified as AFS financial assets and loans and receivables.

(a) Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and where management has no intention of trading. They are included in current assets, except for maturities greater than 12 months after the financial reporting date, in which case, these are classified as noncurrent assets. The Company's cash, trade and other current receivables and due from a related party are classified as loans and receivables as at December 31, 2013 and 2012.

Cash include cash on hand and in banks, which is stated at face value.

Trade receivables arising from regular sales with credit term ranging from 30 to 45 days are recorded at invoice value less allowance for impairment losses.

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.

(b) Initial Recognition and Derecognition

Regular purchases and sales of financial assets are recognized on trade date - the date on which the Company commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the timeframe generally established by regulations or convention in the marketplace. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at FVPL. Financial assets carried at FVPL are initially recognized at fair value and transaction costs are expensed in profit or loss.

Financial assets are derecognized when:

- the rights to receive cash flows from the financial assets have expired; or
- 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: (i) has transferred substantially all the risks and rewards of the asset; or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from a financial asset and has neither transferred nor retained substantially all the risks and rewards of the financial assets nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset.

Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

(c) Subsequent Measurement

Loans and receivables are carried at amortized cost using the effective interest method, less impairment losses, if any.

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.

(d) Determination of Fair Value

Fair value is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price), regardless of whether that price is directly observable or estimated using another valuation technique. Where applicable, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable input and minimizing the use of unobservable inputs.

When measuring the fair value of an asset or liability, the Company uses market observable data as far as possible.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques 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); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The Company's AFS investment as at December 31, 2013 and 2012 is based on Level 1.

(e) Impairment

The Company assesses at each financial reporting date whether there is objective evidence that a financial asset is impaired.

Impairment of trade and other receivables financial assets is described in Note 4. For those carried at amortized cost, individually significant financial assets are tested for impairment if there are indicators of impairment. Impairment loss is recognized in profit or loss and the carrying amount is reduced through the use of allowance. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed.

Impairment losses on AFS financial assets are recognized by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in profit or loss. If the fair value of an impaired AFS debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss; otherwise it is reversed through other comprehensive income (OCI).

Financial Liabilities

(a) Classification

The Company classifies its financial liabilities as financial liabilities at FVPL and other financial liabilities. The Company's financial liabilities are classified as other financial liabilities.

Other financial liabilities pertain to issued financial instruments that are not classified or designated at FVPL and contain contract obligations to deliver cash or another financial asset to the holder or to settle the obligation other than the exchange of a fixed amount of cash.

As at December 31, 2013 and 2012, the Company has designated as other financial liabilities its loan with Industrial Commercial Bank of China Singapore Branch (ICBC), contract payable, trade and other current payables and refundable security deposits.

(b) Initial Recognition and Derecognition

Financial liabilities are initially recognized at fair value, less any directly attributable transaction cost.

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 the 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.

(c) Subsequent Measurement

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position when, and only when, the Company has an enforceable legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the separate statements of financial position.

Inventories

Inventories are stated at the lower of cost and net realizable value (NRV). Cost comprises all cost of purchase and other direct costs incurred in bringing the inventories to their present location and condition. 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.

Prepaid expenses

Prepaid expenses represent expenses not yet incurred but are already paid. Prepaid expenses are initially recorded as assets and measured at the amount of cash paid. Subsequent to initial recognition, these are charged to profit or loss as they are consumed in operations or expire with the passage of time .

Prepaid expenses are classified in the consolidated statements of financial position as current assets when the cost of goods or services related to the prepayment are expected to be incurred within one year or the Company's normal operating cycle, whichever is longer. Otherwise, they are classified as noncurrent assets.

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

Measurement at Recognition

Upon recognition, items of property and equipment are measured at cost which comprises the purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use.

Measurement Subsequent to Recognition

Transportation and operating equipment are carried at cost less accumulated depreciation and accumulated impairment losses, if any.

Hotel building and equipments and furniture and fixtures are carried at revalued amounts, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Fair values are determined through the appraisal of an independent firm of appraisers. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in the carrying amount resulting from a revaluation (revaluation increase) is recognized in other comprehensive income and accumulated in equity. However, the increase shall be recognized in profit or loss to the extent that the increase reverses a revaluation decrease of the same asset previously recognized in profit or loss.

Any decrease in the carrying amount resulting from a revaluation (revaluation decrease) is recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity.

Subsequent Costs
Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the 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
Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

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

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

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

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and 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.

Fair Value Measurement
When measuring the fair value of property and equipment, the Company uses market observable data as far as possible and is categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in 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).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Impairment of Nonfinancial Assets

The carrying amount of the Company's property and equipment is 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 cash-generating 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

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those other segments.

The Company determines and presents operating segments based on the information that is internally provided to the BOD, who is the Company's chief operating decision maker. The Company assessed that its hotel operations represent one segment. Accordingly, the Company does not present segment information in these separate financial statements.

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

Employee Benefits

Short-term Employee Benefits

Short-term employee benefit obligations, such as those for salaries and wages, social security contributions, short-term compensated absences, bonuses and non-monetary benefits, among others, are measured on an undiscounted basis and are expensed as the related service is provided.

Defined Benefit Plan

The Company's net obligation in respect of the defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability, taking into account any changes in the net defined liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss.

The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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.

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 non-redeemable, or redeemable only at the option of the Company, or if the dividend payments are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the Company.

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 - Parent 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. The land subject to the finance lease agreement had been the subject of the ejectment case filed by the lessor

As part of the settlement of all cases, 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 9, the balance of the receivables, after write-off of P234.92 million, were realized through the acquisition of CIMAR by the Company.

Fair Value Measurement
The fair value of property and equipment was determined by external, independent property valuers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent appraisers provide the fair value of the Hotel's property and equipment.

The fair value measurement for property and equipment has been categorized as Level 2 in the fair value hierarchy based on the inputs of the valuation technique used.

As at December 31, 2013 and 2012, the appraisal increase, net of depreciation, on the property and equipment amounted to P996.31 million and P919.71 million, respectively (see Note 8).

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 P45.58 million (see Note 22d).

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 Note 18).

Distinguishing Investment Properties and Owner-occupied Properties
The Company determines whether a property qualifies as an investment property. In making its judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the properties but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as investment properly only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Company has classified its properties as owner-occupied

Classifying Financial Instruments
The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual agreement and the definition of a financial asset, financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

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 collectability 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 a related party, 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, 2013 and 2012 amounted to P6.80 million and P2.34 million, respectively (see Note 5). Also, in 2011, the Company wrote off portion of its receivables from ALB amounting to P234.92 million (see Note 9).

Impairment loss on AFS investment
The Company classifies certain assets as AFS investments and recognizes movements in their fair value in equity. AFS investments are assessed as impaired when there has been a significant or prolonged decline in the fair value below cost or where other objective evidence of impairment exists. The determination of what is significant or prolonged requires judgment. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities, and the future cash flows and the discount factors for unquoted equities.

As at the reporting date, based on the assessment of the Company, there is no indication of impairment of AFS investment. The carrying value of AFS investment as at December 31, 2013 and 2012 amounted to P16.91 million and P26.01 million, respectively(see Note 11c).

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 at December 31, 2013 and 2012 does not differ materially from that which would be determined using fair value at reporting date.

As at December 31, 2013 and 2012, the aggregate carrying amount of property and equipment amounted to P1.24 billion and P1.14 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 Cost and Obligation
The determination of the Company's retirement cost and obligation 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.

As at December 31, 2013 and 2012, 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 2013 and 2012 amounted to P15.18 million and P20.32 million, respectively (see Note 17).

Realizability of 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 P148.21 million and P178.62 million as at December 31, 2013 and 2012, respectively (see Note 18).

5. Trade and Other Current Receivables

This account consists of:

	2013	2012
Guests, concessionaires and other patrons	**P26,994,061**	P30,721,129
Others	**1,476,278**	1,633,020
	28,470,339	32,354,149
Less allowance for impairment losses on guests, concessionaires and other patrons	**6,795,614**	2,342,916
	P21,674,725	P30,011,233

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	2013	2012
Beginning balance		**P2,342,916**	P3,234,730
Impairment loss for the year	*14*	**7,119,041**	703,400
Write-off		**(2,666,343)**	(1,595,214)
Ending balance		**P6,795,614**	P2,342,916

6. Inventories

This account consists of:

	2013	2012
Operating supplies	**P3,117,085**	P3,027,175
Saleable merchandise	**1,627,729**	2,985,505
Engineering and maintenance supplies	**693,641**	833,118
	P5,438,455	P6,845,798

The Company's inventories are carried at cost, which is lower than their net realizable value, as of December 31, 2013 and 2012.

7. Prepaid Expenses and Other Current Assets

This account consists of:

	2013	2012
Input value-added tax (VAT)	P31,332,168	P12,543,803
Prepaid insurance	1,752,639	1,447,193
Others	95,636	83,637
	P33,180,443	P14,074,633

8. Property and Equipment

The balances and movements in this account are as follows:

	For the Year Ended December 31, 2013				
	Hotel Building and Equipment	Furniture, Fixtures and Equipment	Operating Equipment	Construction in Progress	
Measurement basis:	*Revalued*	*Revalued*	*At Cost*	*At Cost*	**Total**
Cost					
Beginning balance	P2,893,936,199	P35,772,707	P168,872,206	P123,470,424	P3,222,051,536
Appraisal increase	119,502,186	3,551,410	-	-	123,053,596
Additions	2,206,431	712,405	2,076,724	56,126,096	61,121,656
Reclassifications	169,342,572	245,674	10,008,274	(179,596,520)	-
Disposals/retirements	-	(536,146)	-	-	(536,146)
Ending balance	3,184,987,388	39,746,050	180,957,204	-	3,405,690,642
Accumulated Depreciation					
Beginning balance	1,889,509,357	33,815,024	159,132,304	-	2,082,456,685
Depreciation for the year	74,491,221	1,302,601	5,835,439	-	81,629,261
Disposals/retirements	-	(536,146)	-	-	(536,146)
Ending balance	1,964,000,578	34,581,479	164,967,743	-	2,163,549,800
Carrying Amount	P1,220,986,810	P5,164,571	P15,989,461	P -	P1,242,140,842

	For the Year Ended December 31, 2012					
	Hotel Building and Equipment	Furniture, Fixtures and Equipment	Operating Equipment	Transportation Equipment	Construction in Progress	
Measurement basis:	*Revalued*	*Revalued*	*At Cost*	*At Cost*	*At Cost*	Total
Cost						
Beginning balance	P2,961,308,077	P236,189,527	P159,967,116	P140,000	P -	P3,357,604,720
Additions	22,725,161	1,243,879	8,929,197	-	123,470,424	156,368,661
Disposals/retirements	(90,097,039)	(201,660,699)	(24,107)	(140,000)	-	(291,921,845)
Ending balance	2,893,936,199	35,772,707	168,872,206	-	123,470,424	3,222,051,536
Accumulated Depreciation						
Beginning balance	1,924,197,058	234,962,127	151,358,083	140,000	-	2,310,657,268
Depreciation for the year	55,409,338	513,596	7,798,328	-	-	63,721,262
Disposals/retirements	(90,097,039)	(201,660,699)	(24,107)	(140,000)	-	(291,921,845)
Ending balance	1,889,509,357	33,815,024	159,132,304	-	-	2,082,456,685
Carrying Amount	P1,004,426,842	P1,957,683	P9,739,902	P -	P123,470,424	P1,139,594,851

The Company engaged an independent firm of appraisers to determine the fair value of certain classes of its property and equipment, specifically hotel building and equipment and furniture, fixtures and equipment, which are carried at revalued amounts. Fair value was determined by reference to market-based evidence, which is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In determining fair value, an estimate was made in accordance with the prevailing prices for materials, equipment, labor, and contractor's overhead and all other costs associated with its acquisition while taking into account the depreciation resulting from physical deterioration, functional and economic obsolescence. The date of the latest revaluation was on December 31, 2013, which resulted to the recognition of the appraisal increase amounting to P123.05 million in other comprehensive.

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

	2013	2012
Hotel building and equipment	P566,976,765	P397,634,193
Furniture, fixtures and equipment	250,057,871	241,058,021
	817,034,636	638,692,214
Less accumulated depreciation	587,188,276	552,021,434
	P229,846,360	P86,670,780

Depreciation on cost charged to operations amounted to P35.17 million, P17.26 million and P12.48 million in 2013, 2012 and 2011 respectively. Depreciation on appraisal increase charged to operations amount to P46.46 million in 2013, 2012 and 2011.

The revaluation increment absorbed through depreciation and transferred directly to retained earnings, net of deferred tax effect, amounted to P32.52 million in 2013, 2012 and 2011.

As discussed in Note 12, the hotel building and equipment and furniture, fixtures and equipment with a total carrying amount of P1.02 billion and P1.05 billion as at December 31, 2013 and 2012, respectively, are used as collateral for the Group's loan with ICBC.

As discussed in Note 22a, the Company has lease agreements with PAGCOR and certain concessionaires involving the Company's available commercial spaces.

9. Investment in a Subsidiary

In July 2011, the Parent Company and CIMAR executed a Memorandum of Agreement (MOA), which effectively settled all pending cases between the two parties involving the collection case and the ejectment case filed by the Parent Company and CIMAR, respectively. 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 Parent Company. In consideration, the Parent 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 Parent Company's receivables from Acesite Limited BVI (ALB), net of the Company's liability to CIMAR, as of acquisition date.

The following is the summarized financial information of the Subsidiary as at and for the periods ended December 31, 2013 and 2012:

	2013	2012
Financial Position		
Total assets	**P655,124,185**	P653,567,525
Total current liabilities	**238,081**	354,854
Total noncurrent liabilities	**191,632,606**	190,926,653
Results of Operation		
Revenue	**4,372,071**	4,284,630
Net income	**1,205,561**	1,952,234

Prior to the acquisition of CIMAR, management and BOD estimated the maximum recoverable amount of the receivable from ALB, upon consultations with the legal counsels on the status of the discussions with ALB for an impending amicable settlement. Accordingly, in 2011, the Company's BOD approved a write-off of portion of the receivables amounting to P234.92 million (see Note 14), leaving a net carrying value of P351.94 million.

On July 2011, the Regional Trial Court (RTC) of Manila issued an order granting the joint motion to dismiss the cases filed by the parties.

10. Trade and Other Current Payables

This account consists of:

	Note	2013	2012
Trade payables		**P82,484,041**	P150,066,608
Accruals:			
Local taxes		**14,760,905**	16,271,098
Utilities		**9,549,872**	108,586
Vacation and sick leave		**4,297,696**	9,988,941
Rental	*22b*	**3,981,750**	2,422,178
Laundry		**2,490,652**	2,078,677
Other accruals		**4,870,100**	1,569,423
Withholding taxes payable		**2,697,785**	2,254,632
Output tax payable		**1,984,252**	2,016,373
Service charge		**1,859,590**	1,915,209
Service charge withheld		**1,404,239**	1,079,087
Guest deposits		**907,744**	1,092,419
Unclaimed wages		**510,908**	868,616
Others		**4,443,440**	4,178,837
		P136,242,974	P195,910,684

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:

Category/ Transaction	Year	Note	Amount of the Transaction	Outstanding Balance: Due from a Related Party	Outstanding Balance: AFS Investment	Outstanding Balance: Due to Subsidiary	Terms	Conditions
Parent								
• Short-term advances	2013	a	P294,726,685	P517,609,726	P -	P -	Non-interest bearing, and payable on demand	Unsecured; no impairment
	2012		191,064,446	572,051,985	-	-		
	2011		264,617,001	689,532,788	-	-		
Subsidiary								
• Operating lease	2013	b	4,372,071	-	-	829,536	Non-interest bearing, and payable on demand	Unsecured
	2012		4,284,630	-	-	698,919		
	2011		816,120	-	-	-		
Affiliate								
AFS Investment	2013	b	-	-	16,908,450	-	-	No impairment
	2012		-	-	26,013,000	-	-	
	2011		-	-	22,978,150	-	-	
Key Management Personnel								
• Short-term employee benefits	2013		9,150,507	-	-	-	-	-
	2012		9,051,837	-	-	-	-	-
	2011		8,624,654	-	-	-	-	-
• Post employment benefits	2013		649,152	-	-	-	-	-
	2012		642,143	-	-	-	-	-
	2011		632,846	-	-	-	-	-
TOTAL	2013			P517,609,726	P16,908,450	P829,536		
TOTAL	2012			P572,051,985	P26,013,000	P698,919		

a. The receivables from Parent pertain to various noninterest-bearing, unsecured short-term advances by the Company for and on behalf of WPI. The transactions with WPI also include its allocated share in the common operating expenses.

In 2013, the Company entered into a settlement agreement with WPI whereby WPI will settle its remaining payables to the Group in 2014 subject to yearly renegotiation, renewal and repricing.

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 22b). 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.

c. 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 Wellex Industries, Inc. (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 at December 31, 2013 and 2012 are P16.91 million and P26.01 million, respectively, resulting in a valuation loss of P9.10 million in 2013 and valuation gain of P3.03 million in 2012 and P16.82 million in 2011.

d. In February 16, 2009, the Company assigned its future rental receivables from PAGCOR, arising from the latter's lease commitments to the Company (see Note 22a), in securing 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 the Philippine Business Bank. It stipulated that collection of the Company's said future rental receivables may be applied as payment of the previously mentioned loans should there be default in principal payments.

12. Loan Payable

This represents the balance of the US$15 million loan obtained from ICBC under the terms and conditions of a Facility Agreement issued on March 27, 1995 which was amended on September 17, 1997 (collectively, the "Existing Facility Agreement"). The loan underwent several restructurings. The latest restructuring was approved by ICBC on November 12, 2013 after the Company made partial payment of US$700,000. Based on the approved restructured loan, the outstanding loan balance of US$6,917,900 as at December 31, 2013 is scheduled to be paid as follows:

Year	US Dollar
2014	$1,850,000
2015	3,372,000
2016	1,695,900
	$6,917,900

Other significant terms and conditions of the restructured loan include the following:

- Payment of restructuring fee of US$50,000 upon receipt of restructured loan documents (this is not yet paid as of the end of reporting period waiting for the copy of the restructured loan documents);
- Annual interest shall be at 3% above SIBOR;
- WPI shall be a corporate guarantor, and shall maintain at least 51% shareholding of the Company throughout the loan tenor;
- The loan is covered 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 Parent Company (see Note 8); and
- The loan will be considered in default if no repayment of principal plus interest for two (2) consecutive months.

The reconciliation of the carrying amount of loan payable as at December 31, 2013 follows:

	Principal	Unamortized Restructuring Fee	Net Carrying Value
Current	P82,136,300	(P576,845)	P81,559,455
Noncurrent	225,004,624	(1,624,108)	223,380,516
	P307,140,924	**(P2,200,953)**	**P304,939,971**

Prior to the approval of the restructuring, the loan which has an outstanding balance of P314,128,747 as at December 31, 2012 was presented as part of current liabilities.

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 Equitable-PCI Bank (EPCIB) for the latter's loans to an affiliate of ALB.

On Februpary 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.

On 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	2013	2012
Authorized :			
Balance at beginning of year		**1,200,000,000**	300,000,000
Increase in authorized capital stock	*13b*	**-**	900,000,000
		1,200,000,000	1,200,000,000
Issued and outstanding:			
Balance at beginning of year		**346,100,520**	99,852,308
Stock dividends	*13b*	**-**	246,248,212
		346,100,520	346,100,520

Common shares have a par value of P1 per share.

As at December 31, 2013, 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 at December 31, 2013 and 2012 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 at December 31, 2013 and 2012, 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 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 has 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 (including P10 million preferred shares) from P310 million (including P10 million preferred shares) 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 at June 25, 2012.

14. Other Costs and Expenses

This account consists of:

	Note	2013	2012 (As restated - Note 23)	2011
Personnel costs	*16*	**P34,971,651**	P33,387,824	P29,453,872
Impairment losses, bad debts directly written-off and provisions	*5, 9, 22d*	**32,466,094**	703,400	235,959,935
Advertising and promotion		**14,956,474**	14,890,584	14,292,300
Security services		**12,045,306**	11,579,825	11,652,803
Real estate taxes		**11,543,804**	11,543,804	11,543,804
Representation expense		**6,610,847**	5,122,890	7,942,934
Professional fees		**6,214,282**	6,897,788	8,180,250
Fire insurance		**5,720,519**	4,842,384	5,116,960
Medical expense		**4,402,429**	4,766,180	4,959,993
Rent	*22b*	**4,372,072**	4,284,630	816,120
System support		**3,546,664**	3,361,983	3,368,301
Printing and stationery		**3,433,565**	3,245,253	2,018,433
Transportation and travel		**2,763,673**	2,348,163	1,562,250
Reservation		**2,485,638**	2,679,592	3,408,479
Labor relations		**930,072**	3,603,949	-
Communications		**810,328**	890,129	999,705
Trainings and seminars		**635,859**	317,389	899,458
Taxes and licenses		**344,753**	3,334,465	7,253,662
Insurance		**250,348**	398,165	102,846
Others		**6,364,466**	7,820,265	10,800,252
		P154,868,844	P126,018,662	P360,332,357

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

15. Financing Costs (Income)

This account consists of:

	Note	2013	2012	2011
Interest expense on loan payable	*12*	**P11,485,516**	P14,000,635	P13,395,680
Accretion expense	*22a*	**7,638,533**	7,083,867	6,569,477
Bank charges		**800,177**	809,812	1,172,364
Interest income		**(32,241)**	(52,171)	(162,535)
		P19,891,985	P21,842,143	P20,974,986

16. Personnel Costs

The allocation of personnel costs is as follows:

	Note	2013	2012 (As restated - Note 23)	2011
Cost of sales and services:				
Salaries and wages		**P65,542,070**	P66,024,872	P68,998,051
Retirement benefits cost (income)	*17*	**11,176,327**	15,655,892	(534,064)
Other employee benefits		**11,045,758**	11,584,553	31,244,659
		87,764,155	93,265,317	99,708,646
Others costs and expenses:				
Salaries and wages		**23,338,712**	19,555,391	20,097,582
Retirement benefits cost (income)	*17*	**4,004,021**	4,659,149	(116,756)
Other employee benefits		**7,628,918**	9,198,617	9,473,046
	14	**34,971,651**	33,413,157	29,453,872
		P122,735,806	P126,678,474	P129,162,518

17. 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 depending on the length of stay. Contributions and costs are determined in accordance with the actuarial studies made for the plan.

The latest independent actuarial valuation of the plan was as at December 31, 2013, 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 plan is registered with the Bureau of Internal Revenue (BIR) as a tax-qualified plan under Republic Act No. 4917, as amended. The reconciliations of the present value of the defined benefit obligation to the retirement benefits liability presented in the statements of financial position are as follows:

2013	**Fair Value of Plan Asset**	**Defined Benefit Obligation**	**Retirement Benefits Liability**
Balance, January 1, 2013	P5,001,246	(P145,851,744)	(P140,850,498)
Included in profit or loss (Note 16):			
Current service cost	-	(7,132,597)	(7,132,597)
Net interest income (cost)	236,628	(8,284,379)	(8,047,751)
	236,628	**(15,416,976)**	**(15,180,348)**
Included in other comprehensive income:			
Remeasurement gains (losses):			
1. Actuarial gains (losses) arising from:			
▪ Financial assumptions	-	(9,694,716)	(9,694,716)
▪ Demographic assumptions	-	29,636,242	29,636,242
▪ Experience adjustments	-	8,231,258	8,231,258
2. Return on plan assets excluding interest income	2,097,657	-	2,097,657
	2,097,657	**28,172,784**	**30,270,441**
Other			
Benefits paid:			
From plan assets	(1,670,512)	1,670,512	-
From book reserves	-	3,788,338	3,788,338
	(1,670,512)	**5,458,850**	**3,788,338**
Balance, December 31, 2013	**P5,665,019**	**(P127,637,086)**	**(P121,972,067)**

2012 (As restated)	Fair Value of Plan Asset	Defined Benefit Obligation	Retirement Benefit Obligation
Balance, January 1, 2012	P7,752,530	(P136,732,404)	(P128,979,874)
Included in profit or loss:			
Current service cost	-	(12,500,820)	(12,500,820)
Net interest income (cost)	430,743	(8,244,964)	(7,814,221)
	430,743	(20,745,784)	(20,315,041)
Included in other comprehensive income:			
Return on plan assets excluding interest income	(1,963,630)	-	(1,963,630)
Others			
Contribution	5,800,000	-	5,800,000
Benefits paid:			
From plan assets	(7,018,397)	7,018,397	-
From book reserves	-	4,608,047	4,608,047
	(1,218,397)	11,626,444	10,408,047
Balance, December 31, 2012	P5,001,246	(P145,851,744)	(P140,850,498)

The allocation of retirement benefits expense to personnel costs is presented in Note 16.

The Company's plan assets consist of the following:

	2013	2012
Debt instruments - government bonds	P2,850,071	P1,010,135
Cash and cash equivalents	2,016,180	2,951,352
Equity instruments	245,862	481,248
Real estate	218,670	230,558
Debt instruments - other bonds	100,271	117,859
Others	233,965	210,093
	P5,665,019	P5,001,245

The Company is not required to pre-fund the future defined benefits payable under the retirement plan before they become due. For this reason, the amount and timing of contributions to the retirement fund are at the Company's discretion. However, in the event a benefit claims arise and the retirement fund is insufficient to pay the claim, the shortfall will then be due and payable from the Company to the employee. Hence, there is no expected contribution to the defined benefit retirement plan in 2014.

The December 31 actuarial valuation uses these principal actuarial assumptions at the reporting date:

	2013	2012
Discount rate	4.50%	5.68%
Future salary increases	10.00%	10.00%

Assumptions regarding the mortality and disability rates are based on the 2001 CSO Table - Generational (Scale AA, Society of Actuaries) and the Disability Study, Period 2, Benefit 5 (Society of Actuaries), respectively.

The weighted-average duration of the defined benefit obligation is 18.7 years as at December 31 2013 and 2012.

Maturity analysis of the benefit payments over the period of 10 years:

	2013				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	Within 6-10 Years
Defined benefit obligation	P127,637,085	P85,062,370	P -	P21,156,592	P63,905,778

Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	+ 1%	- 1%
Discount rate	P9,206,254	(P8,290,724)
Expected rate of salary increases	7,534,901	(6,989,399)

Should there be no attrition rates, the Company's DBO is expected to increase in the amount of P46,659,911 or 36.6%.

The retirement plan trustee has no specific matching strategy between the plan assets and the plan liabilities.

18. Income Taxes

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

	2013	2012 (As restated - Note 23)	2011
Recognized in Profit or Loss			
Current tax expense	**P20,591,214**	P20,285,507	P21,329,591
Deferred tax benefit	**(5,433,132)**	(5,917,772)	(3,065,411)
	P15,158,082	P14,367,735	P18,264,180
Recognized in Other Comprehensive Income			
Deferred	**(P45,997,211)**	P589,089	(P1,523,295)

The current income tax expense represents regular corporate income tax.

The reconciliations of the income tax expense computed at the statutory tax rates to the actual expense shown in profit or loss are as follows:

	2013	2012 (As restated - Note 23)	2011
Income (loss) before income tax	**P24,494,601**	P47,530,253	(P81,776,016)
Income tax at corporate rate of 30%	**P7,348,380**	P14,259,076	(P24,532,805)
Additions to (reductions in) income tax due to the tax effects of:			
Nondeductible provision	**7,604,115**	-	-
Nondeductible expense	**211,269**	117,854	-
Nondeductible interest expense	**3,990**	6,456	-
Nondeductible impairment losses on receivable from ALB	-	-	42,845,745
Interest income already subjected to final tax	**(9,672)**	(15,651)	(48,760)
	P15,158,082	P14,367,735	P18,264,180

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 movements for the deferred tax assets and liabilities are as follows:

December 31, 2013	**Balance January 1 2013**	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Balance December 31 2013**
Deferred tax liabilities:				
Revaluation surplus on property and equipment	**P275,914,154**	**(P13,938,727)**	**P36,916,079**	**P298,891,506**
Rental receivable	**21,061,944**	**(10,523,718)**	**-**	**10,538,226**
Unamortized premium on security deposit	**10,300,112**	**(2,291,560)**	**-**	**8,008,552**
	307,276,210	**(26,754,005)**	**36,916,079**	**317,438,284**
Deferred tax assets:				
Advance rentals	**99,366,464**	**(29,633,161)**	**-**	**69,733,303**
Unrealized foreign exchange losses	**35,301,532**	**3,348,768**	**-**	**38,650,300**
Retirement benefit plan obligation	**42,255,150**	**3,417,601**	**(9,081,132)**	**36,591,619**
Allowance for impairment losses on receivables	**702,875**	**1,335,809**	**-**	**2,038,684**
Accrued rent	**726,653**	**467,872**	**-**	**1,194,525**
Accrued restructuring cost on loan payable	**-**	**9,614**	**-**	**9,614**
Unamortized past service costs	**267,376**	**(267,376)**	**-**	**-**
	178,620,050	**(21,320,873)**	**(9,081,132)**	**148,218,045**
	P128,656,160	**(P5,433,132)**	**P45,997,211**	**P169,220,239**

December 31, 2012	Balance January 1 2012	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance December 31 2012
Deferred tax liabilities:				
Revaluation surplus on property and equipment	P289,852,880	(P13,938,726)	P -	P275,914,154
Rental receivable	18,306,042	2,755,902	-	21,061,944
Unamortized premium on security deposit	12,425,273	(2,125,161)	-	10,300,112
	320,584,195	(13,307,985)	-	307,276,210
Deferred tax assets:				
Advance rentals	99,366,464	-	-	99,366,464
Unrealized foreign exchange losses	45,397,170	(10,095,638)	-	35,301,532
Retirement benefit plan obligation	38,693,963	2,972,098	589,089	42,255,150
Allowance for impairment losses on receivables	970,419	(267,544)	-	702,875
Accrued rent	244,836	481,817	-	726,653
Unamortized past service costs	748,322	(480,946)	-	267,376
	185,421,174	(7,390,213)	589,089	178,620,050
	P135,163,021	(P5,917,772)	(P589,089)	P128,656,160

19. 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.

	2013	2012 (As restated - Note 23)	2011
Net income	**P9,336,519**	P33,162,518	(P100,040,196)
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	**P0.03**	P0.10	(P0.29)

There are no dilutive potential common shares for the years ended December 31, 2013, 2012, and 2011. Accordingly, diluted EPS (LPS) is the same as basic EPS (LPS).

20. Financial Risk Objectives and Policies

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 receivables, AFS investment, trade payables 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 other current receivables, other current payables, due form 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, 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 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 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 at December 31 are set out below (in thousands):

	2013	2012
High grade	**P520,732**	P575,127
Standard grade	**18,555**	26,936
Substandard grade	**6,796**	2,343
	P546,080	P604,406

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 at 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:

	Note	2013	2012
Cash	*7*	**P10,627**	P6,462
Trade and other current receivables	*5*		
Guests, concessionaires and other patrons		**26,991**	30,721
Others		**1,479**	1,633
Due from a related party - net	*11a*	**517,610**	572,052
		556,707	610,868
Less allowance for impairment losses	*5*	**6,796**	2,343
		P549,911	P608,525

Cash includes cash on hand and in banks as follows:

	2013	2012
Cash on hand	**P378,950**	P362,125
Cash in banks	**10,627,486**	6,462,246
	P11,006,436	P6,824,371

Cash in banks earn interest based on prevailing deposit rates.

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

December 31, 2013	**Total**	**Neither Past Due nor Impaired**	**Past Due but not Impaired** **< 30 Days**	**30 - 60 Days**	**61 - 90 Days**	**91 - 120 Days**	**> 120 Days**	**Past Due and Impaired**
Trade and other current receivables:								
Guests, concessionaires and other patrons	**P26,991**	**P1,643**	**P8,416**	**P5,375**	**P1,366**	**P839**	**P2,556**	**P6,796**
Others	**1,479**	**1,479**	-	-	-	-	-	-
Due from a related party	**517,610**	**517,610**	-	-	-	-	-	-
Total	**P546,080**	**P520,732**	**P8,416**	**P5,375**	**P1,366**	**P839**	**P2,556**	**P6,796**

December 31, 2012	Total	Neither Past Due nor Impaired	Past Due but not Impaired < 30 Days	30 - 60 Days	61 - 90 Days	91 - 120 Days	> 120 Days	Past Due and Impaired
Trade and other current receivables:								
Guests, concessionaires and other patrons	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	572,052	572,052	-	-	-	-	-	-
Total	P604,406	P575,127	P9,942	P5,453	P2,007	P1,257	P8,277	P2,343

Information on the Company's receivables that are impaired as at December 31, 2013 and 2012 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 collectability.

The total impairment losses on the financial assets recognized in the separate statements of comprehensive income amounted to P7.12 million, P0.70 million and P235.96 million in 2013, 2012, and 2011, respectively (see Notes 5 and 9). Of the total impairment losses, the P234.92 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:

December 31, 2013	Total Carrying Amount	Contractual Undiscounted Payments				
		Total	On Demand	Less than 1 Year	1 to 5 Years	> 5 Years
Loan payable	P304,940	P351,713	P -	P112,083	P239,630	P -
Trade and other current payables (net of government payables)	131,561	131,561	66,712	64,849	-	-
Concessionaires' deposits	105,193	131,888	-	-	131,888	-
Due from a subsidiary	830	830	830	-	-	-
	P542,524	P615,992	P67,542	P176,932	P371,518	P -

December 31, 2012	Total Carrying Amount	Contractual Undiscounted Payments				
		Total	On Demand	Less than 1 Year	1 to 5 Years	> 5 Years
Loan payable	P314,129	P324,338	P324,338	P -	P -	P -
Trade and other current payables (net of government payables)	211,868	211,868	122,042	89,826	-	-
Concessionaires' deposits	97,555	131,888	-	-	131,888	-
Contract payable	699	699	699	-	-	-
	P624,251	P668,793	P447,079	P89,826	P131,888	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 3% above SIBOR. The carrying amount of the loan payable, which is due and demandable, amounted to US$6.92 million and US$7.63 million as at December 31, 2013 and 2012, respectively. The Philippine peso equivalent of this loan converted using the conversion rate imposed by ICBC as of December 31, 2013 and 2012 amounted to P307.14 million and P314.13 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 2013 and 2012 to a reasonably possible change in interest rates based on the historical volatility of SIBOR rates in the immediately preceding 12-month period. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's loan payable as at the reporting date. This analysis assumes a 0.70% and 26.44% decrease in prevailing interest rates as at December 31, 2013 and 2012, respectively, and 1.10% and 37.93% increases as at December 31, 2013 and 2012, respectively. All other variables are held constant.

	Decrease		Increase	
	-0.70%	-26.44%	**+1.10%**	+37.93%
	2013	2012	**2013**	2012
Net income	**P13,563**	P1,569,561	**P21,314**	(P2,251,978)
Equity	**13,563**	1,569,561	**21,314**	(2,251,978)

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

There are no other impacts 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:

	2013	
	US dollar	**Philippine peso**
Cash	**$7,183**	**P318,896**
Loan payable	**(6,917,900)**	**(307,140,924)**
Net foreign currency-denominated liability	**($6,910,717)**	**(P306,822,028)**

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

The Company recognized an unrealized foreign currency exchange loss amounting to P22.56million in 2013 and an unrealized foreign currency exchange gain amounting to P21.80 million in 2012, 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 2013, with all other variables held constant, of the Company's 2013 and 2012 income after income tax. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items. This analysis assumes a 3.95% and a 3.20% strengthening as at December 31, 2013 and 2012, respectively, and 4.21% and 2.85% weakening as at December 31, 2013 and 2012, respectively, of the Philippine peso against the US dollar exchange rate:

	Strengthening		**Weakening**	
	3.95%	+3.20%	**-4.21%**	-2.85%
	2013	2012	**2013**	2012
Net income	**P8,490,372**	P7,019,230	**(P4,375,236)**	(P4,470,620)

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

Equity Price Risk

Equity price risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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, 2013 and 2012.

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 2013. This analysis assumes a decrease of 17.24% for 2013 and 14.89% for 2012 and an increase of 24.14% for 2013 and 44.58% for 2012 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, 2013 and 2012, respectively. All other variables are held constant:

	Decrease		**Increase**	
	-17.24%	-14.89%	**24.14%**	44.68%
	2013	2012	**2013**	2012
Equity	**(P1,789,515)**	(P2,711,994)	**P3,233,685**	P8,135,981

Fair Value of Financial Assets and Liabilities

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

The fair values of the concessionaires' 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 2013 and 2012.

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).

The approximation of the fair value of the Company's AFS investment is based on Level 1.

21. Capital 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 2013 and 2012. 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:

	2013	2012 (As restated - Note 23)
Total liabilities	**P1,120,205,567**	P1,232,589,330
Total equity	**1,228,889,125**	1,121,330,330
	0.91:1	1.1:1

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

22. Significant Commitments and Contingencies

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

	Note	2013	2012
Rental receivable	22a	**P35,127,421**	P70,206,479
Advances to contractors	22c	**205,750**	16,729,329
Other deposits and noncurrent assets		**6,039,944**	11,805,481
		P41,373,115	P98,741,289

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 Group has entered into commercial property leases on certain commercial spaces located in the Hotel, primarily with PAGCOR and certain concessionaires.

Lease by PAGCOR of Casino Venue

The lease agreement with PAGCOR is non-cancellable, for long-term, include renewal terms and is 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 P232.44 million in 2013 and P331.22 million in 2012.

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' deposits" account in the statements of financial position and were carried at its present value of P105.19 million, P97.55 million and P90.47 million as at December 31, 2013, 2012 and 2011, 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 profit or loss (see Note 15). 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:

	2013	2012
Within one year	**P340,651,944**	P331,606,103
After one year but not more than five years	**691,373,227**	1,038,607,080
	P1,032,025,171	P1,370,213,183

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.

Other Leases
The Company also has lease agreements with other concessionaires of the Hotel's available commercial spaces. These agreements typically run for a period of less than one year, renewable upon the mutual agreement of the parties.

The rental income from the lease contracts, recognized in the statements of comprehensive income on a straight-line basis amounted to P366.69 million, P265.73 million and P310.68 million in 2013, 2012 and 2011, 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 P35.13 million and P70.21 million in 2013 and 2012, 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. 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 at December 31, 2013 and 2012 for the above contract are as follows:

	2013	2012
Less than one year	**P2,953,125**	P3,150,000
Between one and five years	**17,347,946**	18,276,025
More than five years	**60,874,081**	73,508,362
	P81,175,152	P94,934,387

Rental expense recognized for the above lease amounted to P4.37 million and P4.28 million in 2013 and 2012, respectively.

c. 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, 2013 and 2012, advance payments to the contractor have a balance of P0.21 million and P16.73 million, respectively.

d. Provisions and Contingencies

The reconciliation of the carrying value of the Group's provision follows:

	Note	2013	2012
Balance at beginning of year		**P20,227,960**	P20,227,960
Provision for the year	*14*	**25,347,052**	-
		P45,575,012	P20,227,960

In consultation with the legal counsels, management believes that the provision recognized sufficiently represents the amount of probable liability that the Company may settle in the event that the cases as discussed below will ultimately be decided against the Company.

The pending cases discussed below are not disclosed in detail so as not to prejudice the Company's position on the said disputes.

Tax Case Involving Tax Assessment from the Treasurer of the City of Manila
After filing of protest letters, petitions and appeals, the case was subsequently decided against the Group on January 9, 2014 by the Court of Tax Appeals (CTA) En Banc who ordered the dismissal of the petition for review filed by the Group and ordered the Group to pay the Manila City treasurer's office for P45.58 million. On January 24, 2014, the Group subsequently filed a motion for reconsideration with the CTA.

The case arose from the notice of assessment issued by the Manila City treasurer's office on July 13, 2007 demanding the Company to pay for deficiency business tax for the years 2004 to 2006 totaling P45.58 million (including interest and penalties), arising principally from non declaration for local tax purposes of revenues derived from services in connection with the operation of PAGCOR in the Company's hotel.

Other Legal Cases
The Company also is a defendant in other legal and labor 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 results operations.

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 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.

23. Change in Accounting Policy

As a result of PAS 19 (Amended 2011), the Company has changed its accounting policy with respect to the elimination of the "corridor method" under which the recognition of actuarial gains and losses could be deferred. Instead, all actuarial gains and losses are recognized immediately in other comprehensive income.

Furthermore, the Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Consequently, the net interest on the net defined benefit liability (asset) now comprises: interest cost on the defined benefit obligation, interest income on plan assets, and interest on the effect on the asset ceiling. Previously, the Company determined interest income on plan assets based on their long-term rate of expected return.

This change in accounting policy was applied retrospectively. The opening statement of financial position of the earliest comparative period presented as at January 1, 2012 and the comparative amounts in 2012 have been restated accordingly.

The impact of the restatement as at and for the year ended December 31, 2013 is as follows:

	Increase (Decrease)
Separate Statement of Financial Position	
Retirement benefits liability	(P39,304,006)
Deferred tax liabilities - net	11,791,201
Retained earnings	4,143,681
Retirement benefits reserves	23,369,124
Separate Statement of Comprehensive Income	
Cost and expenses	(P5,953,953)
Income tax expense	1,786,186
Increase in net income	4,167,767
Actuarial gains on defined benefit plan	30,270,441
Deferred tax effect	(9,081,132)
Increase in OCI, net of tax	21,189,309
Overall impact on total comprehensive income	P25,357,076
Increase in earnings per share	P0.01
Separate Statement of Cash Flows	
Income before income tax	P5,953,954
Retirement expense	(5,953,954)

The impact of the restatement as at and for the year ended December 31, 2012 is as follows:

	As Previously Reported	Effect of Restatement	As Restated
Separate Statement of Financial Position			
Retirement benefits liability	P143,930,110	(P3,079,612)	P140,850,498
Deferred tax liabilities - net	127,732,277	923,883	128,656,160
Retained earnings	127,553,559	(24,086)	127,529,473
Retirement benefits reserve	-	P2,179,815	2,179,815
Separate Statement of Comprehensive Income			
Cost and expenses	425,165,811	34,409	425,200,220
Income tax expense	14,378,058	(10,323)	14,367,735
Decrease in net income		24,086	
Actuarial losses on defined benefit plan	-	(1,963,630)	(1,963,630)
Deferred tax effect	-	589,089	589,089
Decrease in OCI, net of tax		(1,374,541)	
Overall decrease on total comprehensive income		(P1,398,627)	
Separate Statement of Cash Flows			
Income before income tax	47,564,662	(34,409)	47,530,253
Retirement expense	20,280,632	34,409	20,315,041

The change did not significantly affect the previously reported earnings per share in 2012.

The impact of the restatement as at January 1, 2012 is as follows:

	As Previously Reported	Effect of Restatement	As Restated
Separate Statement of Financial Position			
Retirement benefits liability	P134,057,525	(P5,077,651)	P128,979,874
Deferred tax liabilities - net	133,639,726	1,523,295	135,116,431
Retirement benefits reserve	-	5,077,651	5,077,651

The equity as of January 1, 2011 was not restated as the impact of the change is not significant.

24. 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, 2013:

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

A. Sales/Receipts/Fees

	Regular/ Normal Rate
Sale of services	P208,758,273
Lease of properties	302,994,264
	P511,752,537

B. Cost of Services

	Regular/ Normal Rate
Salaries, wages and benefits	P74,031,131
Materials, supplies and facilities	65,090,355
Depreciation	35,166,842
Outside services	11,029,812
Others	40,065,973
	P225,384,113

C. **Itemized Deductions**

	Regular/ Normal Rate
Communication, light and water	P64,705,408
Salaries and wages	34,107,763
Security services	12,045,306
Taxes and licenses	12,006,563
Interest	11,440,170
Realized foreign exchange loss	11,384,344
Employee benefits	10,370,333
Insurance	5,970,866
Representation and entertainment	5,701,955
Retirement benefits	4,679,591
Repairs and maintenance - materials/supplies	3,979,695
Transportation and travel	3,781,768
Advertising	3,777,889
Rental	2,812,500
Bad debts written off	2,666,343
Professional fees	2,098,083
Office supplies	1,699,892
SSS, GSIS, Philhealth, HDMF and other contributions	1,524,308
Directors' fees	787,059
Fuel and oil	120,131
Miscellaneous	22,071,078
	P217,731,045

II. Based on RR No. 15-2010

A. Output Value Added Tax (VAT)

Output VAT declared in 2013 amounted to P18,428,339 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 P153,569,495.

No output VAT was recognized by the Company on rent collections from PAGCOR amounting to P89,275,654 and sales to PAGCOR amounting to P11,634,273, 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	
Beginning of the year	P24,257,232
Current year's domestic purchases:	
Goods for resale/manufacture or further processing	-
Capital goods subject to amortization	-
Capital goods not subject to amortization	23,912,907
Services lodged under other accounts	-
Output VAT recognized and offset for the year	(18,428,339)
Balance at the end of the year	P29,741,800

C. Withholding Taxes

Details of withholding taxes are as follows:

Tax on compensation and benefits	P15,634,699
Creditable withholding taxes	6,151,321
Final withholding taxes	1,145,347
	P22,931,367

D. 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
PSE annual listing fee	250,000
Annual electrical, mechanical, and structural permit fee	93,423
Annual inspection fees	43,108
Notarization of mayor's permit and renewal of CTC	21,721
LTO registration	12,000
Others	42,506
	P12,006,562

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, 2013, the Company has no tax case filed by or against the BIR.

COVER SHEET

7	1	9	9								

SEC Registration Number

ACESITE (PHILS.) HOTEL CORPORATION

(Company's Full Name)

7th Floor Manila Pavilion Hotel
UN Avenue corner M. Orosa Street
Ermita, Manila

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

ARTHUR R. PONSARAN	526-1212 extension 2403
Contact Person	Company Telephone Number

12	31	17-Q1	09	06
Month	*Day*	FORM TYPE	*Month*	*Day*
			Annual Meeting	

Not Applicable

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

196		US$6,567,900
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

5-14-2014
RONEL TAMPALUNO

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 31 March 2014

2. Commission Identification Number 7199

3. BIR Tax Identification Code 002-856-627

4. ACESITE (PHILS.) HOTEL CORPORATION
Exact Name of issuer as specified in its charter

5. Manila, Philippines
Province, country of incorporation

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

7. 7th Floor, Manila Pavilion Hotel, UN Ave. corner M. Orosa St., Ermita, Manila, 1000
Address of Principal Office and Postal Code

8. Issuer's telephone number (632) 526-1212 extension 2403

9. No changes from last report
Former name, former address, and former fiscal year, if changed since last report

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

Title of Each Class			Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	-	Authorized	1,200,000,000
	-	Issued	344,747,520
	-	Treasury	1,353,000
Preferred	-	Authorized	20,000
	-	Issued	None

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 treasury shares.

12. Indicate by check mark whether the registrant:

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

Yes [x] No [ ]

(b) Has been subjected to such filing requirements for the past ninety (90) days.

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 7^{th} 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, 2014 were approved and authorized for issue by the Board of Directors (BOD) on April 10, 2014.

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.

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

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

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

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

An investor controls an investee when:

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

Control is re-assessed as facts and circumstances change.

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

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) includes the following requirements:

- actuarial gains and losses are recognized immediately in other comprehensive income; this change removes the corridor method and eliminates the ability for entities to recognize all changes in the DBO and in plan assets in profit or loss; and
- interest income recognized in profit or loss is calculated based on the rate used to discount the DBO.

The Group has applied the relevant transitional provisions of the amended standard on a retrospective basis and provided more extensive disclosures. The nature and the impact of the changes are presented in Note 23 to the financial statements while the new disclosures required by the amendments are presented as part of Note 17 to the financial statements.

New and 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, 2013, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the 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, 2014

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

  - An entity currently has a legally enforceable right to set-off if that right is:
    - not contingent on a future event; and
    - enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and

  - Gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that:

- eliminate or result in insignificant credit and liquidity risk; and
- process receivables and payables in a single settlement process or cycle.

- Recoverable Amount Disclosures for Non-financial Assets *(Amendments to PAS 36)*. These narrow-scope amendments to PAS 36 address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments clarified that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

To be Adopted on July 1, 2014

- Defined Benefit Plans: Employee Contributions *(Amendments to PAS 19)*. The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

To *be Adopted (No definite date - Originally January 1, 2015*

PFRS 9, Financial Instruments (2009), PFRS 9, Financial Instruments (2010) and PFRS 9, Financial Instruments (2013)

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.

PFRS 9 (2013) introduces the following amendments:

- A substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements;
- Changes to address the so-called 'own credit' issue that were already included in PFRS 9, *Financial Instruments* to be applied in isolation without the need to change any other accounting for financial instruments; and
- Removes the January 1, 2015 mandatory effective date of PFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements.

The IASB is currently discussing some limited amendments to the classification and measurement requirements in IFRS 9 and is also discussing the expected credit loss impairment model to be included in IFRS 9. Once those deliberations are complete the IASB expects to publish a final version of IFRS 9 that will include all of the phases: Classification and Measurement; Impairment and Hedge Accounting. That version of IFRS 9 will include a new mandatory effective date.

Item 4. Cash and Cash Equivalents

Included in cash and cash equivalents as of March 31, 2014 are composed mainly of cash deposited at various banks.

Item 5. Receivables

This account consists:

	March 2014	December 2013
Trade - Net	24,937,898	20,399,653
Others	6,832,218	1,275,072
Total	31,770,116	21,674,725

Item 6. Inventories

This account consists:

	March 2014	December 2013
Food and Beverage	1,125,400	1,627,729
Operating Supplies	2,304,122	2,541,710
Others	1,182,777	1,269,016
Total	4,612,299	5,438,455

Item 7. Accounts Payable and Accrued Expenses

This account consists:

	March 2014	December 2013
Accrued Expenses	23,002,836	29,610,430
Trade Payables	84,120,496	95,170,954
Others	11,069,405	11,461,591
Total	118,192,737	136,242,975

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. A total of $1,499,800 or P63,120,054 partial loan payments was made from years, 2010 up to 2013 and another $350,000 or P15,839,000 for the 1st quarter of 2014.

The loan underwent several restructurings. The latest restructuring was approved by ICBC on November 12, 2013, based on the approved restructured loan, the outstanding loan balance of US$6,917,900 as at December 31, 2013 is scheduled to be paid as follows:

Year	US Dollar
2014	$1,850,000
2015	3,372,000
2016	1,695,900
	$6,917,900

Item 10. The earnings (loss) per share is computed as follows:

	March 2014	March 2013
Net Income (Loss)	17,126,639	3,178,773
Weighted Average Number of Shares Outstanding	344,747,520	344,747,520
Earnings (Loss) per share	0.05	0.01

i. 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

ii. 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 climbed in the 1st quarter of 2014 due to the availability of the renovated deluxe rooms that generates higher room rates.

v. For the first quarter of 2014, 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 2013 to 2014 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 2013 and 2014, and the balance sheets as of 31 March 2014 and 31 December 2013 have been discussed under management discussion and analysis above.

viii. 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, 2014 and 2013 together with its financial conditions as of the same period.

RESULTS OF OPERATIONS

Quarter Ended 31 March 2014 and Quarter Ended 31 March 2013
Gross revenues registered an increase of ₱13.2 million from ₱120.1 million in the 1st quarter of 2013 to ₱133.4 million during the same comparative period in 2014. Room sales went up by 29.89% from ₱27.9 million in 1Q2013 to ₱36.2 million in 1Q2014. Occupancy rate in 1Q2014 was 56.63% as compared to the 79.44% in 1Q2013 or 22.81% points lower while total available rooms for 1Q2013 was 21,960 and 30,060 for 1Q2014 after the renovation of the deluxe rooms. Room revenue represents 27.17% of gross revenues for 1Q2014 compared with 23.22% in 1Q2013. Average room rate of 1Q2014 is ₱2,128.26, ₱547.03 higher than ₱1,581.23 of the same period in 2013.

Food and Beverage revenue for 1Q2014 amounted to ₱24.6 million, an increase of 6.81% from ₱23 million in 1Q2013. Food and beverages sales contributed 18.44% to gross revenues. Revenues generated by other operating departments including Telephone department went up by 1.84% from ₱0.545 million in 1Q2013 to ₱0.555 million in 1Q2014. Rent and other income has increase by 4.80% from ₱68.7 million in1Q2013 to ₱72 million in 1Q2014.

Cost of sales of food and beverage decreased from ₱11.2 million in 1Q2013 to ₱6.3 million in 1Q2014 representing a decrease of 43.67% due to the short listing of menus, minimizing the spread of buffet and control in purchases. The food and beverage cost ratio to revenue has decreased from 48.55% in 1Q2013 to 25.61% in 1Q2014. Payroll expenses which accounted for the bulk of COSS at 32.3% showed a decrease from ₱20.49 million in 1Q2013 to ₱18.5 million in 1Q2014. Other expenses went down from ₱8.2 million in 1Q2013 to ₱5.6 million in 1Q2014. Energy cost decreased by 4.26% from ₱15.63 million in 1Q2013 to ₱15 million in 1Q2014. Property operations and maintenance cost decreased from ₱7.7 million in 1Q2013 to ₱5.3 million in 1Q2014.

The Company posted a gross operating profit of ₱76.1 million in 1Q2014, representing an increase of ₱27.2 million or 55.56% from that recorded in 1Q2013 of ₱49 million. Gross operating income ratio in 1Q2014 is higher by 16.34% points over the same period last.

Fixed financial, operating and other expenses increased from ₱30.3 million in 1Q2013 to ₱43.5 million in 1Q2014 with the major increase coming Foreign exchange loss. The general and administrative expenses have a slight increase from ₱19 million in 1Q2013 to ₱19.5 million in 1Q2014. Marketing and guest entertainment decreased by ₱0.7 million from ₱2.3 million in 1Q2013 to ₱1.6 million in 1Q2014. Foreign exchange loss was posted at ₱6 million in 1Q2014 due to reinstatement of a foreign exchange denominated bank loan at the rate of ₱45.27 as of March 31, 2014 against ₱40.90 as of March 31, 2013. Interest expense decreased from ₱3 million in 1Q2013 to ₱2.7 million in 1Q2014 due to the decrease in principal loan amount. Corporate Expenses increased from ₱3.72 million in 1Q2013 to ₱8.66 million due to the provision for home office expenses. Real estate tax increased from ₱2.9 million 1Q2013 to ₱3.3 million in 1Q2014 due the increase in City Hall's property assessment. Fire insurance premium increased from ₱1.3 million 1Q2013 to ₱1.7 million in 1Q2014 due to the increase of property value from the rooms' renovation. For 1Q2014, the Company posted a net income after tax of ₱17.1 million which increased by 438.78% from ₱3.2 million in1Q2013.

FINANCIAL CONDITION

As of 31 March 2014 and Year Ended 31 December 2013

Total assets increased to ₱2.6 billion by 31 March 2014 from ₱2.5 billion as of 31 December 2013. Current assets increased from ₱588.9 million as of 31 December 2013 to ₱602 million as of end of 1Q2014. Cash ending balance as of 31 March 2014 of ₱11.4 million posted an increase of ₱0.4 million. Trade receivables of ₱32.1 million increased by ₱10.5 million as of 31 March 2014 from ₱21.7

million as of 31 December 2013. Inventories decreased by ₱0.8 million from ₱5.4 million as of 31 December 2013 to ₱4.6 million as of end of 1Q2014. Net amounts owed by related parties decreased from ₱517.6 million as of 31 December 2013 to ₱515.7 million as of 31 March 2014. Prepayments and other current assets increased to ₱38.6 million as of 31 March 2014 from ₱33.2 million as of 31 December 2013 due to unused input VAT and prepaid medical premium.

Property and equipment account increased by 0.43% from ₱1.89 billion as of 31 December 2013 to ₱1.9 billion as of 31 March 2014. No changes have been noted from the Available for Sale investment account from 31 December 2013 to the 1Q2014. Other non-current assets of ₱47.5 million as of end of 1Q2014 represent an increase by ₱5.8 million from ₱41.7 million as of 31 December 2013 representing the 50% purchase deposits on contracts.

Total liabilities decreased from ₱1.3 billion as of 31 December 2013 to ₱1.3 billion as of 31 March 2014. Trade and other current payables decreased from ₱132.3 million as of 31 December 2013 to ₱123.2 million as of 31 March 2014. Provision account of ₱45.6 million represents Manila City Treasurer's local tax assessment. Loan payable to Industrial and Commercial Bank of China (ICBC) represents 22.34% of the total liabilities. Due to Subsidiary account of ₱1.2 million pertains to the payable of Acesite to Cima Realty for the operating lease entered for the use of the land. The ₱4 million income tax payable pertaining to 2013 was settled last April 15, 2014.

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 was divided to its current and current portion, current portion totaled to ₱58.9 million as of 31 December 2013 to 1Q2014 and non-current portion increased to ₱203 million as of 31 December 2013 from P173.5 million as of 1Q2014 due to the additional advance rental received last January 2014. Relative to the OALC, the existing refundable security deposit carried at its present value is ₱105.2 million as of the end of 2013 to 1Q2014. Net retirement benefits liability increased from ₱122 million 31 December 2013 to ₱124.3 million as of end of 1Q2014 due the monthly retirement provision. No changes have been noted from deferred tax liabilities from 31 December 2013 to 1Q2014 at ₱360.6 million.

As a result of PAS 19, the Company has changed its accounting policy with respect to the recognition of actuarial gains and losses. All actuarial gains and losses are recognized immediately in other comprehensive income amounting to ₱23.4 million.

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 2014	March 2013
Occupancy Rate	56.63%	79.44%
Average Room Rate	2,128.26	1,581.23
Revenues	133,362,888	120,149,798
Gross Operating Profit	76,060,923	48,894,551
Gross Operating Profit Ratio	57.03%	40.69%

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 1Q2014 the total available rooms were 30,060 while 21,960 were available in 1Q2013; 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 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, trade payables 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 other current receivables, other current payables, 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, 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.

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.

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.

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.

Equity Price Risk

Equity price risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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 March 31, 2014.

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.

Financial Instruments

Fair Value of Financial Assets and Liabilities
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).

The approximation of the fair value of the Company's AFS investment is based on Level 1.

Determination of Fair Value

Fair value is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price), regardless of whether that price is directly observable or estimated using another valuation technique. Where applicable, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable input and minimizing the use of unobservable inputs.

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible.

The Group's investment is based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

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 Pavilion 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)
September 9, 2013	-	Results of Annual Stockholders' Meeting & Organizational Meeting of Board of Directors
October 4, 2013	-	Certification on qualification of independent directors

Financial Instruments

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October 4, 2013	-	Certification on qualification of Independent directors

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 A. TING
Treasurer and Chief Financial Officer/Authorized Representative
12 May 2014

ADDITIONAL REQUIREMENT (SRC Rule 68)

A schedule showing financial soundness indicators in two comparative period:

CURRENT / LIQUIDITY RATIO

Current Ratio	March 31, 2014	December 31, 2013
Current Assets	602,421,249	588,909,785
Current Liabilities	304,685,240	322,364,024
Ratio	1.9772	1.8268

Quick Ratio	March 31, 2014	December 31, 2013
Cash+AR+ST Mkt Securities	43,516,496	32,681,161
Current Liabilities	304,685,240	322,364,024
Ratio	0.1428	0.1014

Cash Ratio	March 31, 2014	December 31, 2013
Cash+ST Mkt Securities	11,374,521	11,006,436
Current Liabilities	304,685,240	322,364,024
Ratio	0.0373	0.0341

SOLVENCY RATIO

Current Liabilities to Equity Ratio	March 31, 2014	December 31, 2013
Current Liabilities	304,685,240	322,364,024
Total Equity	1,246,015,764	1,232,618,204
Ratio	0.2445	0.2615

Total Liabilities to Equity Ratio	March 31, 2014	December 31, 2013
Total Liabilities	1,321,116,277	1,307,026,488
Total Equity	1,246,015,764	1,232,618,204
Ratio	1.0603	1.0604

Fixed Assets to Equity Ratio	March 31, 2014	December 31, 2013
Fixed Assets	1,900,260,876	1,892,140,842
Total Equity	1,246,015,764	1,232,618,204
Ratio	1.5251	1.5351

Assets to Equity Ratio	March 31, 2014	December 31, 2013
Total Assets	2,567,132,041	2,539,644,692
Total Equity	1,246,015,764	1,232,618,204
Ratio	2.0603	2.0604

INTEREST COVERAGE RATIO

Interest Coverage Ratio	March 31, 2014	December 31, 2013
Net Income Before Tax + Interest Exp	19,811,870	37,880,131
Interest Expense	2,685,231	11,485,516
Ratio	7.3781	3.2981

PROFITABILITY RATIO

Interest Coverage Ratio	March 31, 2014	December 31, 2013
Net Income After Tax	17,126,639	10,542,080
Net Sales	133,362,888	575,450,685
Ratio	0.1284	0.0183

Return on Assets (ROA) Ratio	March 31, 2014	December 31, 2013
Net Income After Tax	17,126,639	10,542,080
Total Assets	2,567,132,041	2,539,644,692
Ratio	0.0067	0.0042

Return on Equity Ratio	March 31, 2014	December 31, 2013
Net Income After Tax	17,126,639	10,542,080
Total Equity	1,246,015,764	1,232,618,204
Ratio	0.0137	0.0086

ACESITE (PHILS.) HOTEL CORPORATION
[Owner of Manila Pavilion Hotel]
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2014 Consolidated	December 31, 2013 Consolidated
ASSETS		
Current Assets		
Cash	11,374,521	11,006,436
Trade and other current receivables - net	32,141,975	21,674,725
Inventories	4,612,299	5,438,455
Due from a related party - net	515,702,386	517,609,726
Prepayments and other current assets	38,590,069	33,180,443
Total Current Assets	**602,421,249**	**588,909,785**
Noncurrent Assets		
Property and equipment - net	1,900,260,876	1,892,140,842
Available-for-sale (AFS) investment	16,908,450	16,908,450
Other noncurrent assets	47,541,466	41,685,615
Total Noncurrent Assets	**1,964,710,792**	**1,950,734,907**
Total Assets	**2,567,132,041**	**2,539,644,692**
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other current payables	123,192,737	132,261,225
Provision	45,575,012	45,575,012
Current portion of advance rentals	58,942,464	58,942,464
Current portion of loan payable	71,747,364	81,559,455
Due to subsidiary	1,201,795	-
Income tax payable	4,025,868	4,025,868
Total Current Liabilities	**304,685,240**	**322,364,024**
Noncurrent Liabilities		
Loan payable - net of current portion	223,380,516	223,380,516
Advance rentals -net of current portion	202,973,110	173,501,878
Concessionaire's deposits	105,193,239	105,193,239
Net retirement benefits liability	124,269,408	121,972,067
Deferred tax liabilities - net	360,614,764	360,614,764
Total Noncurrent Liabilities	**1,016,431,037**	**984,662,464**
Total Liabilities	**1,321,116,277**	**1,307,026,488**
Equity		
Capital stock	346,100,520	346,100,520
Retirement benefits reserve	23,369,124	23,369,124
Revaluation surplus in property and equipment	697,413,515	697,413,515
Unrealized valuation gain (loss) on AFS investment	4,657,980	4,657,980
Retained earnings	186,516,326	173,118,765
Treasury stock at cost	(12,041,700)	(12,041,700)
Total Equity	**1,246,015,764**	**1,232,618,204**
Total Liabilities and Equity	**2,567,132,041**	**2,539,644,692**

ACESITE (PHILS.) HOTEL CORPORATION
COMPARATIVE STATEMENTS OF INCOME
FOR THE QUARTER ENDING March 31, 2014
(With Comparative Figures for March 31, 2013)

	QUARTER ENDED 31-Mar-14	QUARTER ENDED 31-Mar-13
INCOME		
Rooms	36,229,312	27,893,100
Food and Beverage	24,591,528	23,024,502
Telephone Exchange	101,551	127,056
Other Operated Departments	453,480	417,936
Rent and Other Income	71,987,017	68,687,204
	133,362,888	120,149,798
COST OF SALES AND SERVICES		
Cost of Sales:		
Food and Beverage	6,296,974	11,178,939
Telephone Exchange	385,193	2,437,045
Other Operated Departments	66,404	44,437
Rental and Other Income		
	6,748,571	13,660,421
Payroll and Related Expenses	18,505,682	20,487,662
Other Expenses	5,653,297	8,246,853
	30,907,550	42,394,936
Energy Cost	14,962,489	15,627,868
Property operations and maintenance	5,266,923	7,706,208
Depreciation on cost	5,426,723	4,823,110
Land rental	738,281	703,125
	57,301,966	71,255,247
GROSS OPERATING PROFIT	76,060,923	48,894,551
FIXED, FINANCIAL, OPERATING AND OTHER EXPENSES		
General and Administrative Expenses	19,485,748	19,013,916
Marketing and Guest Entertainment	1,598,011	2,306,777
Foreign Exchange (Gain) Loss	6,026,908	(2,065,111)
Interest Expense	2,685,231	3,047,144
Corporate Expenses	8,664,184	3,721,822
Real Estate Tax	3,304,869	2,912,074
Fire Insurance	1,667,240	1,329,222
Interest and Other Charges/(Income)-Net	99,314	47,155
	43,531,506	30,313,000
INCOME (LOSS) BEFORE DEPRECIATION ON REVALUATION INCREMENT AND INCOME TAX	32,529,417	18,581,551
DEPRECIATION - REVALUATION INCREMENT	15,402,778	15,402,778
INCOME (LOSS) BEFORE INCOME TAX	17,126,639	3,178,773
PROVISION FOR INCOME TAX	0	0
NET INCOME (LOSS)	17,126,639	3,178,773
OTHER COMPREHENSIVE INCOME (LOSS)		
Appraisal increase in property and equipment for the year	0	0
Unrealized Loss on AFS investment recognized for the year	0	0
Income tax on other comprehensive income	0	0
	0	0
TOTAL COMPREHENSIVE INCOME (LOSS)	17,126,639	3,178,773
Net Income(Loss)	17,126,639	3,178,773
no. of shares issued (Note 5)	344,747,520	344,747,520
INCOME(LOSS) PER SHARE	P0.05	P0.01

ACESITE (PHILS.) HOTEL CORPORATION.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THREE MONTH ENDING March 31, 2014

	CAPITAL STOCK COMMON	TREASURY SHARES	REVALUATION INCREMENT IN PROPERTY AND EQUIPMENT	RETIREMENT BENEFITS RESERVE	UNREALIZED VALUATION LOSS ON AFS INVESTMENTS	RETAINED EARNINGS	TOTAL
Balance at December 31, 2013	346,100,520	(12,041,700)	697,413,515	23,369,124	4,657,980	169,389,686	1,228,889,125
Transfer of revaluation increment deducted from operations through additional depreciation charges			(15,402,778)			15,402,778	
Net income (loss) for the three months						17,126,639	17,126,639
Balance at March 31, 2014	346,100,520	(12,041,700)	682,010,737	23,369,124	4,657,980	201,919,103	1,246,015,764

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THREE MONTH ENDING MARCH 31, 2013

	CAPITAL STOCK COMMON	TREASURY SHARES	REVALUATION INCREMENT IN PROPERTY AND EQUIPMENT	RETIREMENT BENEFITS RESERVE	UNREALIZED VALUATION LOSS ON AFS INVESTMENTS	RETAINED EARNINGS	TOTAL
Balance at December 31, 2012	346,100,520	(12,041,700)	643,799,692	2,179,815	13,762,530	127,529,473	1,121,330,330
Transfer of revaluation increment deducted from operations through additional depreciation charges			(15,402,778)			15,402,778	0
Net income (loss) for the three months						3,178,773	3,178,773
Balance at March 31, 2013	346,100,520	(12,041,700)	628,396,915	2,179,816	13,762,531	146,111,624	1,124,509,103

ACESITE (PHILS.) HOTEL CORPORATION
STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDING March 31, 2014
(With Comparative Figures forMarch 31, 2013)

	QUARTER ENDED 31-Mar-14	QUARTER ENDED 31-Mar-13
CASH FLOW FROM OPERATING ACTIVITIES		
Income(Loss) before income tax	17,126,639	3,178,773
Adjustments for:		
Depreciation	20,069,582	19,519,584
Interest Expense	2,685,231	3,047,144
Unrealized foreign exchange loss	6,026,908	(2,065,111)
Amortization of operating equipment	759,918	706,303
Provision for doubtful accounts	(6,952,642)	(2,476,274)
Operating income before working capital changes	39,715,637	21,910,420
Decrease (increase) in:		
Receivables	(3,142,749)	(62,594)
Inventories	826,156	(1,907,766)
Prepaid expenses	(5,409,626)	(16,742,483)
Increase (decrease) in:		
Accounts payable and accrued expenses	(13,050,238)	(75,548,149)
Advances from subsidiary	371,859	540,928
Retirement benefit plan obligation	2,297,341	2,257,950
Rental paid in advance	29,471,232	0
Net cash generated from operations	51,079,613	(69,551,694)
Income taxes paid	0	0
Net cash from operating activities	51,079,613	(69,551,694)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in receivable from affiliates	1,907,340	155,013,132
Acquisition of property and equipment	(28,949,534)	(78,733,751)
Decrease (increase) in other assets	(5,145,104)	17,556,545
Net cash from (used) in investing activities	(32,187,298)	93,835,926
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of loan	(15,839,000)	(12,265,000)
Interest paid	(2,685,231)	(3,047,144)
Cash used in financing activities	(18,524,231)	(15,312,144)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	0	0
NET INCREASE (DECREASE IN CASH AND CASH EQUIVALENTS	368,085	8,972,089
CASH AND CASH EQUIVALENTS, BEGINNING	11,006,436	6,824,371
CASH AND CASH EQUIVALENTS AT END OF PERIOD	11,374,521	15,796,460

ACESITE (Philippines) Hotel Corporation
Accounts Receivable Aging Summary
As of March 2014

Classifications	Current	31-60	61-90	91-120	121 - Over	Total
CREDIT CARDS	364,265.17	-	-	-	-	364,265.17
CORPORATE	5,132,398.09	658,164.21	644,494.58	398,123.52	6,043,571.92	12,876,752.32
T/A LOCAL&Overseas	2,968,418.28	511,421.15	234,477.26	101,000.00	129,230.73	3,944,547.42
AIRLINES	-	-	-	2,304.03	-	2,304.03
DELINQUENT	-	-	-	-	743,419.41	743,419.41
GOVERNMENT	4,851,942.81	3,205,863.56	2,621,074.95	1,097,497.62	816,493.50	12,592,872.44
TENANTS	209,090.45	137,504.75	149,543.91	134,559.81	1,133,549.88	1,764,248.80
TOTAL	**13,526,114.80**	**4,612,953.67**	**3,649,590.70**	**1,733,484.98**	**8,866,265.44**	**32,288,409.59**

108052014002923

SECURITIES AND EXCHANGE COMMISSION

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Company Information

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Company Name	ACESITE (PHILS.) HOTEL CORP.
Industry Classification	
Company Type	Stock Corporation

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COVER SHEET

7199

SEC Registration Number

ACESITE (PHILS.) HOTEL CORPORATION

(Company's Full Name)

7th Floor Manila Pavilion Hotel
UN Avenue corner M. Orosa Street
Ermita, Manila

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

ARTHUR R. PONSARAN

Contact Person

526-1212 extension 2403

Company Telephone Number

12 31

Month *Day*

17-Q2

FORM TYPE

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Month *Day*

Annual Meeting

Not Applicable

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

197

Total No. of Stockholders

Domestic

US$6,267,900

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

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Cashier

STAMPS

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 2014
2. Commission Identification Number 7199
3. BIR Tax Identification Code 002-856-627
4. ACESITE (PHILS.) HOTEL CORPORATION
   Exact Name of issuer as specified in its charter
5. Manila, Philippines
   Province, country of incorporation
6. [redacted] (SEC Use Only)
   Industry Classification Code
7. 7th Floor, Manila Pavilion Hotel, UN Ave. corner M. Orosa St., Ermita, Manila, 1000
   Address of Principal Office and Postal Code
8. Issuer's telephone number (632) 526-1212 extension 2403
9. No changes from last report
   Former name, former address, and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class			Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	-	Authorized	1,200,000,000
	-	Issued	344,747,520
	-	Treasury	1,353,000
Preferred	-	Authorized	20,000
	-	Issued	None

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 treasury shares.

12. Indicate by check mark whether the registrant:

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

    Yes [x] No [ ]

    (b) Has been subjected to such filing requirements for the past ninety (90) days.

    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 June 30, 2014 were approved and authorized for issue by the Board of Directors (BOD) on July 10, 2014.

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.

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:

- o 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.

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

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

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

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

An investor controls an investee when:

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

Control is re-assessed as facts and circumstances change.

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

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) includes the following requirements:

- actuarial gains and losses are recognized immediately in other comprehensive income; this change removes the corridor method and eliminates the ability for entities to recognize all changes in the DBO and in plan assets in profit or loss; and
- interest income recognized in profit or loss is calculated based on the rate used to discount the DBO.

The Group has applied the relevant transitional provisions of the amended standard on a retrospective basis and provided more extensive disclosures. The nature and the impact of the changes are presented in Note 23 to the financial statements while the new disclosures required by the amendments are presented as part of Note 17 to the financial statements.

New and 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, 2013, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the 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, 2014

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

  - An entity currently has a legally enforceable right to set-off if that right is:
    - not contingent on a future event; and
    - enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and

  - Gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that:

- eliminate or result in insignificant credit and liquidity risk; and
- process receivables and payables in a single settlement process or cycle.

- Recoverable Amount Disclosures for Non-financial Assets *(Amendments to PAS 36)*. These narrow-scope amendments to PAS 36 address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments clarified that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

To be Adopted on July 1, 2014

- Defined Benefit Plans: Employee Contributions *(Amendments to PAS 19)*. The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

To be Adopted (No definite date - Originally January 1, 2015

PFRS 9, Financial Instruments (2009), PFRS 9, Financial Instruments (2010) and PFRS 9, Financial Instruments (2013)

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.

PFRS 9 (2013) introduces the following amendments:

- A substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements;
- Changes to address the so-called 'own credit' issue that were already included in PFRS 9, *Financial Instruments* to be applied in isolation without the need to change any other accounting for financial instruments; and
- Removes the January 1, 2015 mandatory effective date of PFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements.

The IASB is currently discussing some limited amendments to the classification and measurement requirements in IFRS 9 and is also discussing the expected credit loss impairment model to be included in IFRS 9. Once those deliberations are complete the IASB expects to publish a final version of IFRS 9 that will include all of the phases: Classification and Measurement; Impairment and Hedge Accounting. That version of IFRS 9 will include a new mandatory effective date.

Item 4. Cash and Cash Equivalents

Included in cash and cash equivalents as of June 30, 2014 are composed mainly of cash deposited at various banks.

Item 5. Receivables

This account consists:

	June 2014	December 2013
Trade - Net	30,150,252	20,399,653
Others	6,374178	1,275,072
Total	36,524,430	21,674,725

Item 6. Inventories

This account consists:

	June 2014	December 2013
Food and Beverage	1,160,490	1,627,729
Operating Supplies	2,131,455	2,541,710
Others	1,308,247	1,269,016
Total	4,600,192	5,438,455

Item 7. Accounts Payable and Accrued Expenses

This account consists:

	June 2014	December 2013
Accrued Expenses	27,143,194	29,610,430
Trade Payables	94,524,104	95,170,954
Others	10,931,759	11,461,591
Total	132,599,057	136,242,975

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. A total of $1,499,800 or P63,120,054 partial loan payments was made from years, 2010 up to 2013. For the year 2014, $350,000 or P15,839,000 for the 1st quarter and $300,000 or P13,292,000 for the 2nd quarter.

The loan underwent several restructurings. The latest restructuring was approved by ICBC on November 12, 2013, based on the approved restructured loan, the outstanding loan balance of US$6,917,900 as at December 31, 2013 is scheduled to be paid as follows:

Year	US Dollar
2014	$1,850,000
2015	3,372,000
2016	1,695,900
	$6,917,900

Item 10. The earnings (loss) per share is computed as follows:

	June 2014	June 2013
Net Income (Loss)	13,512,858	(10,534,124)
Weighted Average Number of Shares Outstanding	344,747,520	344,747,520
Earnings (Loss) per share	0.04	(0.03)

i. 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 woold have a material impact on the Company's liquidity

ii. 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 climbed in the 2nd quarter of 2014 due to the availability of the renovated deluxe rooms that generates higher room rates.

v. For the second quarter of 2014, 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 2013 to 2014 have been discussed under management discussion and analysis above.

vii. Causes of material changes in the items in the income statements for the 2nd quarter of 2013 and 2014, and the balance sheets as of 30 June 2014 and 31 December 2013 have been discussed under management discussion and analysis above.

viii. 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, 2014 and 2013 together with its financial conditions as of the same period.

RESULTS OF OPERATIONS

Quarter Ended 30 June 2014 and Quarter Ended 30 June 2013

Gross revenues registered an increase of P7.51 million from P121.08 million in the 2nd quarter of 2013 to P128.59 million during the same comparative period in 2014. Room sales went up by 5.65% from P30.80 million in 2Q2013 to P32.54 million in 2Q2014. Occupancy rate in 2Q2014 was 49.39% from a total of 30,394 available rooms as compared to the 39.62% in 2Q2013 from a total of 39,300 available rooms. Room revenue represents 25.31% of gross revenues for 2Q2014 compared to 25.44% in 2Q2013. Average room rate of 2Q2014 is P2,167.94, P189.55 or 9.58% higher than P1,978.39 of the same period in 2013.

Food and Beverage revenue for 2Q2014 amounted to P24.23 million, an increase of 14.68% from P21.13 million. Food and beverages sales contributed 18.85% to gross revenues. Revenues generated by other operating departments including Telephone department went down by 12.67% from P0.530 million in 2Q2013 to P0.463 million in 2Q2014. Rent and other income has increase by 3.99% from P68.61 million in 2Q2013 to P71.35 million in 2Q2014.

Cost of sales of food and beverage decreased from P9.62 million in 2Q2013 to P6.65 million in 2Q2014 representing a decrease of 30.84%. The food and beverage cost ratio to revenue has decreased from 45.53% in 2Q2013 to 27.46% in 2Q2014. Payroll expenses which accounted for the bulk of Cost of Sales and Services at 26.74% showed a decrease of P1.57 million from P19.95 million in 2Q2013 to P18.38 million in 2Q2014. Other expenses went down from P6.78 million in 2Q2013 to P5.43 million in 2Q2014. The Energy cost went up by 17.63% from P13.68 million in 2Q2013 to P16.09 million in 2Q2014. Property operations and maintenance cost decreased from P7.40 million in 2Q2013 to P5.28 million in 2Q2014.

The Company posted a gross operating profit of P59.84 million in 2Q2014, representing an increase of P2.77 million or 4.85% from that recorded in 2Q2013 of P57.03 million. Gross operating profit ratio in 2Q2014 and 2Q2013 stood at 46.54% and 47.14%, respectively.

Fixed financial, operating and other expenses decreased from P52.20 million in 2Q2013 to P30.92 million in 2Q2014 due to the foreign exchange gain recorded. The slight increase of general and administrative expenses from P20.29 million in 2Q2013 to P20.98 million in 2Q2014 was due to lower expenditure for labor relations. Marketing and guest entertainment increased by P0.207 million from P2.00 million in 2Q2013 to P2.20 million in 2Q2014. Foreign exchange gain of P7.81 million in 2Q2014 was due to the reinstatement of a foreign denominated bank loan at the rate of P44.07 as of June 30, 2014 against P45.27 as of March 31, 2014. Interest expense decreased from P2.82 million in 2Q2013 to P2.55 million in 2Q2014 due to the decrease in principal loan amount. Corporate Expenses decreased from P6.41 million in 2Q2013 to P5.04 million in 2Q2014. Real estate tax went up by 119.38% from P2.88 million in 2Q2013 to P6.31 million in 2Q2014 due to the increase in property value resulting from the re-assessment done by the Manila City Assessors Office. Fire insurance increased from P1.26 million in 2Q2013 to P1.61 million in 2Q2014 due to the increase in coverage resulting from the increase in property value from the recent renovation. For 2Q2014, the Company posted a net income of P13.51 million representing an increase of 228.28% from a net loss of P10.53 million in 2Q2013.

FINANCIAL CONDITION

As of 30 June 2014 and Year Ended 31 December 2013

Total assets increased to ₱2.6 billion by 30 June 2014 from ₱2.5 billion as of 31 December 2013. Current assets decreased from ₱588.9 million as of 31 December 2013 to ₱580 million as of end of 2Q2014. Cash ending balance as of 30 June 2014 of ₱8.2 million posted a decrease of ₱2.8 million. Trade receivables of ₱36.5 million increased by ₱14.8 million as of 30 June 2014 from ₱21.7 million as of 31 December 2013. Inventories decreased by ₱0.8 million from ₱5.4 million as of 31 December 2013 to ₱4.6 million as of end of 2Q2014. Net amounts owed by related parties decreased from ₱517.6 million as of 31 December 2013 to ₱492.8 million as of 30 June 2014. Prepayments and other current assets increased to ₱37.9 million as of 30 June 2014 from ₱33.2 million as of 31 December 2013 due to unused input VAT and prepaid medical premium.

Property and equipment account increased by 1% from ₱1.89 billion as of 31 December 2013 to ₱1.91 billion as of 30 June 2014. No changes have been noted from the Available for Sale investment account from 31 December 2013 to the 2Q2014. Other non-current assets of ₱53.9 million as of end of 2Q2014 increased by ₱12.2 million from ₱41.7 million as of 31 December 2013 due to purchase deposits on contracts related to various special projects.

Total liabilities slightly decreased by ₱4.6 million from ₱1.307 billion as of 31 December 2013 to ₱1.302 billion as of 30 June 2014. Trade and other current payables increased from ₱132.3 million as of 31 December 2013 to ₱132.6 million as of 30 June 2014. Provision account of ₱45.6 million represents Manila City Treasurer's local tax assessment. Loan payable to Industrial and Commercial Bank of China (ICBC) represents 21.04% of the total liabilities. Due to Subsidiary account of ₱1.9 million pertains to the payable of Acesite to Cima Realty for the operating lease entered for the use of the land. The ₱4 million income tax payable pertaining to 2013 was settled on April 15, 2014.

The Company and PAGCOR have entered into a contract known as the Omnibus Amended Lease Contract (OALC) which requires advance rental. Current portion of the outstanding rentals totaled to ₱58.9 million as of 31 December 2013 to 2Q2014 and non-current portion increased to ₱203 million as of 31 December 2013 from ₱173.5 million as of 2Q2014 due to the additional advance rental received on January 2014. Relative to the OALC, the existing refundable security deposit carried at its present value is ₱105.2 million as of the end of 2013 and 2Q2014. Net retirement benefits liability decreased from ₱122 million 31 December 2013 to ₱120.7 million as of end of 2Q2014 due to payments to retired employees. No changes have been noted from deferred tax liabilities of ₱360.6 million from 31 December 2013 to 2Q2014.

In line with PAS 19 on Employee Benefits, the Company has changed its accounting policy with respect to the recognition of actuarial gains and losses. All actuarial gains and losses are recognized immediately in other comprehensive income amounting to ₱23.4 million.

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 2014	June 2013
Occupancy Rate	49.39%	39.62%
Average Room Rate	2,167.94	1,978.39
Revenues	128,589,010	121,076,318
Gross Operating Profit	59,841,282	57,073,456
Gross Operating Profit Ratio	46.54%	47.14%

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 2Q2014 the total available rooms were 30,394 while 39,300 were available in 2Q2013; 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 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, trade payables 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 other current receivables, other current payables, 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, 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.

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.

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.

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.

Equity Price Risk

Equity price risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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 June 30, 2014.

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.

Financial Instruments

Fair Value of Financial Assets and Liabilities
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 to 2013

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).

The approximation of the fair value of the Company's AFS investment is based on Level 1.

Determination of Fair Value

Fair value is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price), regardless of whether that price is directly observable or estimated using another valuation technique. Where applicable, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable input and minimizing the use of unobservable inputs.

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible.

The Group's investment is based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

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 Pavilion 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)
September 9, 2013	-	Results of Annual Stockholders' Meeting & Organizational Meeting of Board of Directors
October 4, 2013	-	Certification on qualification of Independent directors
January 17, 2014	-	Change in Number of issued and/or Outstanding Shares
May 28, 2014	-	Change in Directors and/or Officers (resignation, Removal or Appointment, Election and/or Promotion)
June 3, 2014	-	Change in Directors and/or Officers (resignation, Removal or Appointment, Election and/or Promotion)

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 A. TING

Treasurer and Chief Financial Officer/Authorized Representative

25 July 2014

ADDITIONAL REQUIREMENT (SRC Rule 68)

A schedule showing financial soundness indicators in two comparative period:

CURRENT / LIQUIDITY RATIO

Current Ratio	June 30, 2014	December 31, 2013
Current Assets	580,046,544	588,909,785
Current Liabilities	289,632,318	322,364,024
Ratio	2.0027	1.8268

Quick Ratio	June 30, 2014	December 31, 2013
Cash+AR+ST Mkt Securities	44,719,203	32,681,161
Current Liabilities	289,632,318	322,364,024
Ratio	0.1544	0.1014

Cash Ratio	June 30, 2014	December 31, 2013
Cash+ST Mkt Securities	8,194,773	11,006,436
Current Liabilities	289,632,318	322,364,024
Ratio	0.0283	0.0341

SOLVENCY RATIO

Current Liabilities to Equity Ratio	June 30, 2014	December 31, 2013
Current Liabilities	289,632,318	322,364,024
Total Equity	1,259,528,622	1,232,618,204
Ratio	0.2300	0.2615

Total Liabilities to Equity Ratio	June 30, 2014	December 31, 2013
Total Liabilities	1,302,459,766	1,307,026,488
Total Equity	1,259,528,622	1,232,618,204
Ratio	1.0341	1.0604

Fixed Assets to Equity Ratio	June 30, 2014	December 31, 2013
Fixed Assets	1,911,100,413	1,892,140,842
Total Equity	1,259,528,622	1,232,618,204
Ratio	1.5173	1.5351

Assets to Equity Ratio	June 30, 2014	December 31, 2013
Total Assets	2,561,988,388	2,539,644,692
Total Equity	1,259,528,622	1,232,618,204
Ratio	2.0341	2.0604

INTEREST COVERAGE RATIO

Interest Coverage Ratio	June 30, 2014	December 31, 2013
Net Income Before Tax + Interest Exp	35,872,892	37,880,131
Interest Expense	5,233,395	11,485,516
Ratio	6.8546	3.2981

PROFITABILITY RATIO

Interest Coverage Ratio	June 30, 2014	December 31, 2013
Net Income After Tax	30,639,497	10,542,080
Net Sales	261,951,898	575,450,685
Ratio	0.1170	0.0183

Return on Assets (ROA) Ratio	June 30, 2014	December 31, 2013
Net Income After Tax	30,639,497	10,542,080
Total Assets	2,561,988,388	2,539,644,692
Ratio	0.0120	0.0042

Return on Equity Ratio	June 30, 2014	December 31, 2013
Net Income After Tax	30,639,497	10,542,080
Total Equity	1,259,528,622	1,232,618,204
Ratio	0.0243	0.0086

CURRENT / LIQUIDITY RATIO

Current Ratio	June 30, 2014	December 31, 2013
Current Assets	602,421,249	588,909,785
Current Liabilities	304,685,240	322,364,024
Ratio	1.9772	1.8268

Quick Ratio	June 30, 2014	December 31, 2013
Cash+AR+ST Mkt Securities	43,516,496	32,681,161
Current Liabilities	304,685,240	322,364,024
Ratio	0.1428	0.1014

Cash Ratio	June 30, 2014	December 31, 2013
Cash+ST Mkt Securities	11,374,521	11,006,436
Current Liabilities	304,685,240	322,364,024
Ratio	0.0373	0.0341

SOLVENCY RATIO

Current Liabilities to Equity Ratio	June 30, 2014	December 31, 2013
Current Liabilities	304,685,240	322,364,024
Total Equity	1,246,015,764	1,232,618,204
Ratio	0.2445	0.2615

Total Liabilities to Equity Ratio	June 30, 2014	December 31, 2013
Total Liabilities	1,321,116,277	1,307,026,488
Total Equity	1,246,015,764	1,232,618,204
Ratio	1.0603	1.0604

Fixed Assets to Equity Ratio	June 30, 2014	December 31, 2013
Fixed Assets	1,900,260,876	1,892,140,842
Total Equity	1,246,015,764	1,232,618,204
Ratio	1.5251	1.5351

Assets to Equity Ratio	June 30, 2014	December 31, 2013
Total Assets	2,567,132,041	2,539,644,692
Total Equity	1,246,015,764	1,232,618,204
Ratio	2.0603	2.0604

INTEREST COVERAGE RATIO

Interest Coverage Ratio	June 30, 2014	December 31, 2013
Net Income Before Tax + Interest Exp	19,811,870	37,880,131
Interest Expense	2,685,231	11,485,516
Ratio	7.3781	3.2981

PROFITABILITY RATIO

Interest Coverage Ratio	June 30, 2014	December 31, 2013
Net Income After Tax	17,126,639	10,542,080
Net Sales	133,362,888	575,450,685
Ratio	0.1284	0.0183

Return on Assets (ROA) Ratio	June 30, 2014	December 31, 2013
Net Income After Tax	17,126,639	10,542,080
Total Assets	2,567,132,041	2,539,644,692
Ratio	0.0067	0.0042

Return on Equity Ratio	June 30, 2014	December 31, 2013
Net Income After Tax	17,126,639	10,542,080
Total Equity	1,246,015,764	1,232,618,204
Ratio	0.0137	0.0086

ACESITE (PHILS.) HOTEL CORPORATION
[Owner of Manila Pavilion Hotel]
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2014 Consolidated	December 31, 2013 Consolidated
ASSETS		
Current Assets		
Cash	8,194,773	11,006,436
Trade and other current receivables - net	36,524,430	21,674,725
Inventories	4,600,192	5,438,455
Due from a related party - net	492,856,597	517,609,726
Prepayments and other current assets	37,870,553	33,180,443
Total Current Assets	**580,046,544**	**588,909,785**
Noncurrent Assets		
Property and equipment - net	1,911,100,413	1,892,140,842
Available-for-sale (AFS) investment	16,908,450	16,908,450
Other noncurrent assets	53,932,960	41,685,615
Total Noncurrent Assets	**1,981,941,844**	**1,950,734,907**
Total Assets	**2,561,988,388**	**2,539,644,692**
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other current payables	132,599,057	132,261,225
Provision	45,575,012	45,575,012
Current portion of advance rentals	58,942,464	58,942,464
Current portion of loan payable	50,644,884	81,559,455
Due to subsidiary	1,870,902	
Income tax payable	-	4,025,868
Total Current Liabilities	**289,632,318**	**322,364,024**
Noncurrent Liabilities		
Loan payable - net of current portion	223,380,516	223,380,516
Advance rentals -net of current portion	202,973,110	173,501,878
Concessionaire's deposits	105,193,239	105,193,239
Net retirement benefits liability	120,665,818	121,972,067
Deferred tax liabilities - net	360,614,764	360,614,764
Total Noncurrent Liabilities	**1,012,827,447**	**984,662,464**
Total Liabilities	**1,302,459,766**	**1,307,026,488**
Equity		
Capital stock	346,100,520	346,100,520
Retirement benefits reserve	23,369,123	23,369,124
Revaluation surplus in property and equipment	697,413,515	697,413,515
Unrealized valuation gain (loss) on AFS investment	4,657,980	4,657,980
Retained earnings	200,029,185	173,118,765
Treasury stock at cost	(12,041,700)	(12,041,700)
Total Equity	**1,259,528,622**	**1,232,618,204**
Total Liabilities and Equity	**2,561,988,388**	**2,539,644,692**

ACESITE (PHILS.) HOTEL CORPORATION
COMPARATIVE STATEMENTS OF INCOME
FOR THE QUARTER ENDING June 30, 2014
(With Comparative Figures for June 30, 2013)

	QUARTER ENDED 30-Jun-14	YEAR TO DATE 30-Jun-14	QUARTER ENDED 30-Jun-13	YEAR TO DATE 30-Jun-13
INCOME				
Rooms	32,543,000	68,772,312	30,803,496	58,696,596
Food and Beverage	24,234,096	48,825,624	21,132,400	44,156,902
Telephone Exchange	65,488	167,036	95,767	222,822
Other Operated Departments	397,602	851,082	434,537	852,473
Rent and Other Income	71,348,824	143,335,842	69,610,118	137,297,322
	128,589,010	261,951,898	121,076,318	241,226,116
COST OF SALES AND SERVICES				
Cost of Sales:				
Food and Beverage	6,654,619	12,951,593	9,621,663	20,800,602
Telephone Exchange	391,171	776,364	649,943	3,085,968
Other Operated Departments	77,838	144,242	44,325	88,782
Rental and Other Income				
	7,123,628	13,872,199	10,316,931	23,976,352
Payroll and Related Expenses	18,382,549	36,888,230	19,953,611	40,441,273
Other Expenses	5,427,667	11,080,964	6,784,241	15,031,094
	30,933,844	61,841,393	37,053,783	79,448,719
Energy Cost	16,094,257	31,056,746	13,682,494	29,310,362
Property operations and maintenance	5,278,054	10,544,977	7,408,241	16,114,450
Depreciation on cost	15,703,293	21,130,016	5,155,217	9,978,327
Land rental	738,281	1,476,563	703,125	1,406,250
	68,747,728	126,049,694	64,002,860	135,258,107
GROSS OPERATING PROFIT	59,841,282	135,902,204	57,073,458	105,968,009
FIXED, FINANCIAL, OPERATING AND OTHER EXPENSES				
General and Administrative Expenses	20,977,819	40,463,567	20,293,439	39,207,384
Marketing and Guest Entertainment	2,202,496	3,800,507	1,995,080	4,301,857
Foreign Exchange (Gain) Loss	(7,810,460)	(1,783,572)	16,441,191	14,376,080
Interest Expense	2,548,164	5,233,395	2,815,984	5,863,128
Corporate Expenses	5,036,024	13,699,208	6,411,606	10,133,428
Real Estate Tax	6,312,208	9,617,077	2,877,243	5,789,317
Fire Insurance	1,610,018	3,277,259	1,265,143	2,594,366
Interest and Other Charges/(Income)-Net	60,397	149,711	105,119	152,274
	30,925,646	74,457,151	52,204,805	82,517,805
INCOME (LOSS) BEFORE DEPRECIATION ON REVALUATION INCREMENT AND INCOME TAX	28,915,636	61,445,053	4,868,653	23,450,204
DEPRECIATION - REVALUATION INCREMENT	15,402,778	30,805,556	15,402,778	30,805,556
INCOME (LOSS) BEFORE INCOME TAX	13,512,858	30,639,497	(10,534,125)	(7,355,352)
PROVISION FOR INCOME TAX	0	0	0	0
NET INCOME (LOSS)	13,512,858	30,639,497	(10,534,125)	(7,355,352)
OTHER COMPREHENSIVE INCOME (LOSS)				
Appraisal increase in property and equipment for the year	0	0	0	0
Unrealized Loss on AFS investment recognized for the year	0	0	0	0
Income tax on other comprehensive income	0	0	0	0
	0	0	0	0
TOTAL COMPREHENSIVE INCOME (LOSS)	13,512,858	30,639,497	(10,534,125)	(7,355,352)
Net Income(Loss)	13,512,858	30,639,497	(10,534,125)	(7,355,352)
no. of shares issued (Note 6)	344,747,520	344,747,520	344,747,520	344,747,520
INCOME(LOSS) PER SHARE	P0.04	P0.09	(P0.03)	(P0.02)

ACESITE (PHILS.) HOTEL CORPORATION
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR SIX MONTH ENDING June 30, 2014

	CAPITAL STOCK COMMON	TREASURY SHARES	REVALUATION INCREMENT IN PROPERTY AND EQUIPMENT	RETIREMENT BENEFITS RESERVE	UNREALIZED VALUATION LOSS ON AFS INVESTMENTS	RETAINED EARNINGS	TOTAL
Balance at December 31, 2013	346,100,520	(12,041,700)	697,413,515	23,369,124	4,657,980	169,389,686	1,228,889,125
Transfer of revaluation increment deducted - from operations through additional depreciation charges	-		(30,805,556)			30,805,556	
Net income (loss) for the Six months						30,639,497	30,639,497
Balance at June 30, 2014	346,100,520	(12,041,700)	666,607,959	23,369,124	4,657,980	230,834,739	1,259,528,622

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THREE MONTH ENDING MARCH 31, 2013

	CAPITAL STOCK COMMON	TREASURY SHARES	REVALUATION INCREMENT IN PROPERTY AND EQUIPMENT	RETIREMENT BENEFITS RESERVE	UNREALIZED VALUATION LOSS ON AFS INVESTMENTS	RETAINED EARNINGS	TOTAL
Balance at December 31, 2012	346,100,520	(12,041,700)	643,799,692	2,179,815	13,762,530	127,529,473	1,121,330,330
Transfer of revaluation increment deducted from operations through additional depreciation charges	-		(15,402,778)			15,402,778	0
Net income (loss) for the six months						3,178,773	3,178,773
Balance at June 30, 2013	346,100,520	(12,041,700)	628,396,915	2,179,816	13,762,531	146,111,024	1,124,509,103

ACESITE (PHILS.) HOTEL CORPORATION
STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDING June 30, 2014
(With Comparative Figures for June 30, 2013)

	QUARTER ENDED 30-Jun-14	YEAR TO DATE 30-Jun-14	QUARTER ENDED 30-Jun-13	YEAR TO DATE 30-Jun-13
CASH FLOW FROM OPERATING ACTIVITIES				
Income(Loss) before income tax	13,512,858	30,639,497	(10,534,125.11)	(7,355,351.64)
Adjustments for:	-		-	
Depreciation	29,157,371	49,226,954	19,862,405.17	39,381,989.37
Interest Expense	2,548,164	5,233,395	2,815,984.02	5,863,128.05
Unrealized foreign exchange loss	(7,810,460)	(1,763,572)	16,441,190.80	14,376,080.00
Amortization of operating equipment	1,948,700	2,708,618	695,590.13	1,401,893.42
Provision for doubtful accounts	(145,742)	(7,098,384)	(136,437.97)	(2,612,711.83)
Operating income before working capital changes	39,210,872	78,926,509	29,144,607	61,066,027
Decrease (increase) in:				
Receivables	(3,567,607)	(6,710,356)	4,071,405.97	4,008,810.56
Inventories	12,107	838,263	651,078.89	(1,256,687.44)
Prepaid expenses	719,516	(4,890,110)	(1,853,638.28)	(18,596,121.12)
Increase (decrease) in:				
Accounts payable and accrued expenses	9,406,320	(3,843,918)	(370,385.60)	(75,918,534.14)
Advances from subsidiary	669,106	1,040,965	(568,159.57)	(27,232.03)
Retirement benefit plan obligation	(3,603,590)	(1,306,249)	3,566,172.11	5,824,122.48
Rental paid in advance	-	29,471,232	29,471,232.21	29,471,232.21
Net cash generalpd from operations	42,846,725	93,926,338	64,112,313	(5,439,382)
Income taxes paid	(3,787,787)	(3,787,787)	(3,340,108.18)	(3,340,108.18)
Net cash from operating activities	39,058,938	90,138,551	60,772,205	(8,779,490)
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (increase) in receivable from affiliates	22,845,788	24,753,129	(45,901,105.39)	109,112,027.07
Acquisition of property and equipment	(41,945,608)	(70,895,143)	(12,671,221.47)	(91,404,972.36)
Decrease (increase) in other assets	(7,298,702)	(12,443,805)	(1,875,344.49)	15,681,200.42
Net cash from (used) in investing activities	(26,398,522)	(58,585,820)	(60,447,671)	33,388,255
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of loan	(13,292,000)	(29,131,000)	(6,277,500.00)	(18,542,500.00)
Interest paid	(2,548,164)	(5,233,395)	(2,815,984.02)	(5,863,128.05)
Cash used in financing activities	(15,840,164)	(34,364,395)	(9,093,484)	- (24,405,628)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	-	0	0	0
NET INCREASE (DECREASE IN CASH AND CASH EQUIVALENTS	(3,179,748)	(2,811,663)	(8,768,951.27)	203,137.26
CASH AND CASH EQUIVALENTS, BEGINNING	11,374,521	11,006,436	15,796,459.53	6,824,371.00
CASH AND CASH EQUIVALENTS AT END OF PERIOD	8,194,773	8,194,773	7,027,508	7,027,508

ACESITE (Philippines) Hotel Corporation
Accounts Receivable Aging Summary
As of June 2014

Classifications	Current	31-60	61-90	91-120	121 - Over	Total
CREDIT CARDS	653,321.90	-	-	-	-	653,321.90
CORPORATE	2,526,044.49	1,379,911.94	229,410.90	923,541.81	7,646,721.08	12,705,630.22
T/A LOCAL&Overseas	2,370,287.11	779,443.24	24,012.82	5,400.00	83,727.83	3,262,871.00
AIRLINES	-	17,906.00	-	-	-	17,906.00
EMPLOYEES LEDGER	-	-	-	-	-	-
DELINQUENT	-	-	-	-	743,419.41	743,419.41
GOVERNMENT	5,593,561.02	5,789,470.98	2,149,811.17	1,142,864.50	1,698,825.65	16,374,533.32
TENANTS	194,833.11	126,442.84	127,842.22	103,728.43	1,501,221.95	2,054,068.55
TOTAL	11,338,047.63	8,093,175.00	2,531,077.11	2,175,534.74	11,673,915.92	35,811,750.40