



110302014000503



# SECURITIES AND EXCHANGE COMMISSION

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Company Information

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SEC Registration No. 0000166878  
Company Name GRAND PLAZA HOTEL CORPORATION DOING BUSINESS UNDER THE NAME OF THE HERITAGE HOTEL MANILA  
Industry Classification  
Company Type Stock Corporation

## Document Information

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# COVER SHEET

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(Company's Full Name)

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

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Contact Person

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Company Telephone Number

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Secondary License Type, If Applicable

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1 For the quarterly period ended **September 30, 2014**

2. Commission identification number \_\_\_\_\_

3. BIR Tax Identification No. **000-460-602-000**

**GRAND PLAZA HOTEL CORPORATION**

4. Exact name of issuer as specified in its charter

**PHILIPPINES**

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

6. Industry Classification Code: \_\_\_\_\_ (SEC Use Only)

**10F, The Heritage Hotel Manila, Roxas Blvd. cor. EDSA, Pasay City 1300**

7. Address of issuer's principal office

**Tel. No. (632) 854-8838**

**Fax No. (632) 854-8825**

8. Issuer's telephone number, including area code

**N.A.**

9. Former name, former address and formal fiscal year if changed since last report

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

Title of each Class

Number of shares of common  
Stock outstanding and amount  
Of debt outstanding

**COMMON SHARES**

**87,318,270\***

\*includes 33,600,901 shares

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

Yes [  ] No [  ]

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

**PHILIPPINE STOCK EXCHANGE, INC.**

**COMMON**

12. Indicate by check mark whether the registrant:

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

Yes [ X ]      No [   ]

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

Yes [ X ]      No [   ]

#### PART I – FINANCIAL INFORMATION

**Item 1    Financial Statements**

Financial Statements and, if applicable, Pro-forma Financial Statements meeting the requirements of SRC Rule 68, Form and Content of Financial Statements, shall be furnished as specified therein.

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

Furnish the information required by Part III, Paragraph (A)(2)(b) of "Annex C"

#### PART II – OTHER INFORMATION

The issuer may, at its option, report under this item any information not previously reported in a report in SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-D.

#### 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.

Issuer      YAM KIT SUNG  
Signature and Title      General Manager & Chief Financial Officer  
Date      \_\_\_\_\_



## PART I FINANCIAL INFORMATION

### Item 1. Financial Statements Required Under SRC Rule 68.1

- Please see attached financial statements for interim Balance Sheets, Statements of Income, Statements of Changes in Equity and Statements of Cash flows.

#### Notes to Financial Statements

##### Statement of Compliance

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

The accompanying financial statements were authorized and approved for issue by the Board of Directors on 27 October 2014.

##### Basis of Measurement

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

##### Functional and Presentation Currency

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

##### *Summary of significant accounting policies*

The financial statements of the Company have been prepared in accordance with Philippine generally accepted accounting principles (GAAP) and are denominated in Philippine pesos. The preparation of financial statements in accordance with Philippine GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies.

The same accounting policies and methods of computation are followed in the interim financial statements for the year 2014 as compared with the most recent annual financial statements.

##### *Seasonality or Cyclicity of Interim Operations*

All segments of the business are in its normal trading pattern.

### *Material Items*

There are no material items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidents.

### *Estimates*

There are no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years that have a material effect in the current interim period.

### *Issuances of Debts and Equity*

There are no issuances, repurchases and repayments of debts and equity securities.

### *Dividends*

None.

### *Segment Revenue and Results*

In accordance with PFRS 8, the Company organized its business into 3 main segments namely:

- Room Division – Business derived from the sale of guestrooms.
- Food and Beverage Division – Business derived from the sale of food and beverage at various restaurants.
- Other Operated Departments and others– Business derived from telephone department, business center, car parking and laundry. This also includes rental income of space to tenants.

The segment revenues and results are as follows:

|   | YTD 3 <sup>rd</sup> Quarter Revenue<br>–<br>Peso ‘000 | YTD 3rd Quarter<br>Department Profit –<br>Peso ‘000 |
|---|---|---|
| Room  | 227,283   | 180,740   |
| Food and Beverage                             | 97,594  | 28,061  |
| Other Operated Departments<br>& others/Rental | 9,876   | 6,555   |

### *Subsequent Events*

There are no material subsequent events to the end of the interim period that have not been reflected in the financial statements for the interim period.

### *Composition of Company*

There are no changes in the composition of the Company during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.

### *Contingent assets or liabilities*

There are no changes in contingent assets or liabilities since the last annual balance sheet date.

### *Contingencies*

There are no material contingencies and any other events or transactions that are material to an understanding of the current interim period.

## Financial Instruments

### *Non-derivative Financial Instruments*

Non-derivative financial instruments consist of cash and cash equivalents, receivables, loan receivable, due from related parties, other assets, accounts payable and accrued expenses, due to related parties, refundable deposits, and other current liabilities except for output VAT payable, withholding taxes payable and deferred rental.

A financial instrument is recognized if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when: (a) the Company's contractual rights to the cash flows from the financial assets expire or (b) the Company transfers the financial asset to another party without retaining control or substantially all the risks and rewards of the asset. Regular way purchases or sales of financial assets are accounted for at settlement date, i.e., the date that an asset is delivered to or by the Company. Financial liabilities are derecognized when the Company's obligations specified in the contract expire or are discharged or cancelled.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Financial assets are classified as either financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are initially recognized, they are measured at fair value. In the case of investments not at fair value through profit or loss, fair value at initial recognition includes directly attributable transaction costs. The Company classifies its financial liabilities as either FVPL financial liabilities or other financial liabilities. The Company determines the classification of its financial assets and financial liabilities upon initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

The Company has no financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and financial liabilities at FVPL.

The measurement of non-derivative financial instruments subsequent to initial recognition is described below:

*Loans and Receivables.* Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or at FVPL.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables shall be recognized in profit or loss on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization is also recognized in profit or loss. Gains or losses are recognized in profit or loss when the loans and receivable are derecognized or impaired, as well as through the amortization process.

Included in this category are the Company's cash and cash equivalents, receivables, loan receivable, due from related parties and other non-current assets.

Cash includes cash on hand and cash in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and are subject to an insignificant risk of changes in value.

*Other Financial Liabilities*

This category pertains to financial liabilities that are not designated or classified as at FVPL upon inception of the liability. These include liabilities arising from operations and borrowings. The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization for any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability.

Included in this category are the Company's accounts payable and accrued expenses, due to related parties, refundable deposits, and other current liabilities except for output VAT payable, withholding taxes payable and deferred rental.



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

The top 5 Key Performance Indicators of the Company are as follows:

| <i>Balance Sheet Analysis</i>                      | <b>30 September 2014</b> | 30 September 2013 | 31 December 2013 |
|--|--------------------------|-------------------|------------------|
| Current ratio                                      | <b>1.50</b>              | 1.52              | 1.58             |
| Net book value per share (include treasury shares) | <b>PhP10.98</b>          | PhP11.40          | PhP11.51         |
| <i>Profit &amp; Loss Analysis</i>                  |                          |                   |                  |
| Earnings per share                                 | <b>PhP0.05</b>           | PhP1.5            | PhP1.56          |
| Profit before tax margin ratio                     | <b>2.2%</b>              | 25.8%             | 21.2%            |
| EBITDA   | <b>PhP14.2M</b>          | PhP132.2M         | PhP144.9M        |

Current ratio is derived by dividing the current assets with the current liabilities. This indicator measures the liquidity of the Company in the short-term. Current ratio decreased by 0.02 or 1.3% versus same period last year. This is mainly due to lower current assets such as lower cash and other current assets.

Net book value per share is derived by dividing the net stockholders’ equity by the total number of shares issued. This measures the value of the Company on a per share basis. This ratio decreased by PhP0.42 due to lower retained profit for the period under review.

Earning per share (EPS) is derived by dividing the net profit after tax by the total shares outstanding. This indicator measures the earning of the Company on a per share basis. As compared to the same period last year, EPS has dropped by PhP1.45 or 96% due to lower profit as a result of the closure of the casino operation in end of June 2013.

Profit before tax margin ratio is computed by dividing the profit before tax against the total revenue. This ratio measures whether the Company is able to contain its expenses in relation to the revenue. This ratio is lower compared to the same period of last year as rental income for casino is absent from July 2013 onwards.

EBITDA represents earnings before income tax, interest, depreciation and amortization. This indicator is in effect a measure of the cash flow of the Company. EBITDA is lower this year due to lower revenue and profit.

### **Balance Sheets Analysis:**

Total assets decreased by about PhP40.8 million or 2.9% as compared to the same period of last year and decreased by PhP37.9 million or 2.7% versus end of last fiscal year 2013.

#### *Cash and short term notes:*

This balance includes short-term fixed deposits with banks. Compared to the same period of last year, there is a drop of PhP8.8 million (4.3%) and a drop of PhP12.4 million (6.0%) versus end of last fiscal year 2013.

The reason for the fall is due to share buyback completed in 3<sup>rd</sup> quarter of 2014 amounting to PhP49.2 million and the closure of the casino at end of June 2013 affected the business of the Company.

#### *Accounts receivables – others:*

Relative to end of last fiscal year, there is an increase of PhP0.369 million (2%) and it is mainly due to accounts receivable for employee benefits from Social Security System.

#### *Deferred tax assets:*

Deferred tax assets is mainly for the recognition of deferred tax on retirement benefits, unrealized exchange gain/(loss) and provision for bad debts. The increment of PhP2.3 million (42.9%) against end of last year is due to higher provision of retirement benefits during the year 2014.

#### *Advances to associated/related companies:*

The Company, in its normal course of business, has entered into transactions with its related parties, principally consisting of cash advances.

The Company also leases its hotel site from an associated company.

As compared to the same period of last year, there is a decrease of PhP0.99 million or 4.8% as the related companies have settled their obligations.

#### *Advances to immediate holding company:*

There is an increase of PhP0.7 million versus same period of last year as the immediate holding company has not settled its obligation with the Company.

#### *Inventories:*

Inventories increased by PhP2.4 million (17.8%) versus end of last fiscal year and PhP1.7 million (12%) compared to same period last year. The increase in inventory is mainly in guest supplies and fuel due to deliveries at month end.

#### *Prepaid expenses:*

The bulk of this balance represents insurance premium prepaid during the year which will be amortized over 12 months.

*Property and Equipment:*

Property and equipment are carried at cost. Depreciation is provided under the straight-line method over the estimated useful lives of the assets ranging from 5 to 50 years. Major improvements are charged to property accounts while maintenance and repairs which do not improve the lives of the assets are expensed as incurred.

Compared to the same period of last year and end of fiscal year, the decrease is due to depreciation charges for the period.

*Accounts payable:*

Compared to end of last fiscal year and same period of last year, this balance dropped by PhP14.6 million (5.6%) and PhP13.3 million (5.2%). The decrease is consistent with the lower revenue of the hotel.

*Accrued liabilities:*

Relative to end of last fiscal year, this balance increased by PhP6.7 million (10%) due to higher accrual for payroll, maintenance expenses, travel agent commission and sales incentive.

*Due to associated/related companies:*

As compared to the same period of last year, there is an increase of PhP3.5 million (55.9%) as the Company has not settled its outstanding obligation with its related companies.

*Deferred rental:*

There is a decrease of PhP1.3 million compared to the same period of last year. The reason is due to the closure of casino in end of June 2013 and as such, there is no advance rental income.

*Income tax payable:*

Income tax payable is PhP0.85 million even though Company profit before tax is lower than last year as there is a non-tax deductible item of about PhP10 million in 2014 representing tax deficiency in prior year 2010.

*Reserves:*

This pertains to a reserve set up for operating equipments and at year end, the balance will be charged to profit and loss statements. The increase of PhP1.9 million against the end of last fiscal year is due to the provision of reserves during the year.

*Treasury Stock:*

There is an increase of PhP49.2 million in treasury stock compared with the same period of last year due to the share buyback exercise of the Company in the second half of year 2014.

## **Income Statement Analysis For the 9 Months Ended 30 September 2014**

### *Revenue:*

Total revenue fell from PhP451.7 million to PhP334.7 million or PhP117 million (25.9%) compared to the same period of last year. This unfavorable variance is registered in all segments of the hotel.

Room revenue dropped by PhP25.6 million (10%) from the same period of last year. Room occupancy fell by 5.3 percentage points as compared to the same period of last year. In addition, Average Room Rate (ARR) dropped from PhP3,144 to PhP3,073 or 2.2%. The combined effect is that Revenue Per Available Room (Revpar) dropped by 10.1%. The closure of the casino factored with the increasing new hotel rooms in the market affected the hotel trading.

Food and Beverage (F&B) revenue fell by PhP18.6 million (16.0%) versus the same period of last year. The main reason is due to the closure of the casino effective in end of June 2013. For the same period of 2013, F&B revenue from casino was PhP17.6 million. The drop in casino revenue is offset by the higher revenue from café Riviera which increased by PhP2.7 million (5.9%). Banquet department also registered a drop in revenue by PhP1.5 million (5.4%) relative of the same period of last year.

Rental income/others basically consist of rental income from the casino. As the casino closed in June 2013, the rental income is absent and this caused the significant drop in the hotel revenue.

### *Cost of Sales:*

Cost of sales for F&B registered a decrease of PhP1.9 million (5%) which is consistent with the lower revenue.

### *Gross Profit:*

Gross profit is derived after deducting cost of sales from gross revenue. Gross profit as compared to last year registered a decrease of PhP114.6 million (27.9%) as a result of lower revenue especially rental income.

### *Operating Expenses:*

Operating expenses include among others, payroll and related expenses, utilities, depreciation charges, rental and other fixed expenses. This expense item increased by PhP2.5 million (0.8%) relative to last year. The increase is mainly due to higher payroll cost, travel agents commission and utilities.

### *Net Operating Income:*

This is derived after deducting operating expenses from gross operating profit. Net operating income fell to a loss of PhP12.5 million from last year same period

### *Non-operating income:*

This balance registered an increase of PhP7.9 million (65%) versus last year same period due to higher other income of PhP14.7 million this year. This is due to a reversal of a payable which is no longer required during the year.

### **Income Statement Analysis For the Third Quarter Ended 30 September 2014**

#### *Revenue:*

Total revenue decreased by PhP13.4 million (13%) as compared to the same period last year. The decrease is mainly due an adjustment in Rental Income/Others. Rooms and F&B divisions both show modest growth over the same period last year.

#### *Cost of Sales:*

F&B cost of sales has no significant movement over the same period of last year.

#### *Gross Profit*

Gross profit is derived after deducting cost of sales from gross revenue. Gross profit as compared to last year is lower than last year by PhP13.9 million (15%) due to the fall in adjustment in other revenue.

#### *Operating Expenses:*

Operating expenses include among others, payroll and related expenses, utilities, depreciation charges, rental and other fixed expenses. Operating expense is more or less the same as the same quarter of last year.

#### *Net Operating Income:*

This is derived after deducting operating expenses from gross operating profit. Due to lower revenue, the Company registered a loss for this quarter.

#### *Non-operating income:*

Total non-operating income increased by PhP17.2 million as compared to the same period of last year. This is due to the fact that the Company reversed a payable which is no longer required.

There are no material event(s) and uncertainties known to management that would address the past and would have an impact on the future operations of the following:

- Any known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.
- Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.
- Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.
- Any significant elements of income or loss that did not arise from the Company's continuing operations.

- The causes for any material change(s) (5% or more) from period to period in one or more line items (vertical and horizontal) of the Company's financial statements.
- Any seasonal aspects that had a material effect on the financial condition or results of operations.

Management is not aware of any event that may trigger direct or contingent financial obligations that is material to the Company, including any default or acceleration of an obligation. Management is not aware of any material off-balance sheet transaction, arrangement, obligation (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons that were created during the first 9 months of 2014.

## **PART II – OTHER INFORMATION**

### Tax matter:

- (1) In the middle of 2008, the Company received from the Bureau of Internal Revenue ("BIR") a Final Decision on Disputed Assessment finding the Company liable for deficiency value added tax ("VAT") with respect to the years 1996 to 2002 in total amount of PhP228.94 million, inclusive of penalty and interest from January 2003 to December 2006. The Company subsequently filed a petition for review with the Court of Tax Appeal ("CTA") to contest such Final Decision on Disputed Assessment.

The BIR further issued a Warrant of Distraint and/or Levy and Warrant of Garnishment against the Company and its assets. On 12 September 2008, the Company filed a surety bond with the CTA, and the CTA issued a Temporary Restraining Order enjoining the BIR from further efforts at collection of taxes, particularly the implementation of the Warrant of Distraint and/or Levy and the Warrant of Garnishment.

In 2009, the Company moved to have a preliminary hearing conducted to first resolve the legal issue of whether or not the services rendered by the Company to PAGCOR is subject to VAT at 10% rate. The CTA granted the motion and hearings were subsequently conducted. On 18 February 2011, the CTA ruled in favor of the Company and cancelled the VAT deficiency assessment *in toto*.

As mentioned in the CTA Resolution, in line with the decision of the Supreme Court in *Philippine Amusement and Gaming Corporation (PAGCOR) vs. The Bureau of Internal Revenue, et al.*, the CTA, in its decision dated 18 February 2011, cancelled the BIR's assessment against the Company for deficiency VAT in the amount of PhP228,943,589.15 for taxable years 1996 to 2001. In its resolution dated 17 May 2011, the CTA denied the Commissioner of Internal Revenue's Motion for Reconsideration of the CTA's decision rendered on 18 February 2011. According to the CTA, considering that the assessment against

the Company for deficiency VAT has been cancelled, the CTA deemed it proper that the surety bond posted by the Company be discharged. The BIR shortly filed an appeal with the CTA En Banc.

On 1 September 2011, the CTA En Banc resolved to give course to BIR's appeal. The Company filed its Memorandum in October 2011. On 27<sup>th</sup> July 2012, the CTA En Banc resolved that consistent with the pronouncement of the Supreme Court in the cases of *CIR vs. Acesite Hotel Corporation* and *PAGCOR vs. CIR*, that services rendered to PAGCOR are exempt from VAT, CIR's petition has no leg to stand on and must necessarily fall. The BIR filed a Motion for Reconsideration.

On 8<sup>th</sup> October 2012, the CTA En Banc resolved that BIR's Motion for Reconsideration is denied and the earlier decision of the CTA promulgated on 17<sup>th</sup> May 2011 is affirmed. On 5<sup>th</sup> December 2012, BIR filed with the Supreme Court a Petition for Review. As at the date of this report, the Petition for Review is still pending with the Supreme Court.

On 6<sup>th</sup> May 2013, the Company filed its Comment/Opposition to the Petition for Review and is awaiting feedback from the Supreme Court. On 17 October 2013, the Company received a Notice from the Supreme Court directing BIR to file a reply within 10 days from receipt of Notice. No decision from the Supreme Court as of 10 October 2014.

The Company will continue to pursue its case with the Supreme Court and will file the necessary disclosure on the outcome thereof following the issuance of the judgment of the Supreme Court

- (2) In the meeting of the Board of Directors of Grand Plaza Hotel Corporation ("**Corporation**") ("**Board**") on 27 October 2014, the Board approved management's action to continue pursuing administrative remedies with the Bureau of Internal Revenue ("**BIR**") in respect of the BIR's tax assessment on the Corporation for the year 2008 ("**Tax Assessment**").

The above actions will seek BIR to re-investigate the Tax Assessment and review the Collection Letter that the Corporation received from the BIR on 12 December 2013. As far as the Corporation is aware, the Collection Letter was issued by the BIR in connection with a Formal Letter of Demand for alleged deficiency income tax, value added tax, expanded withholding tax, withholding tax on compensation and documentary stamp tax for the year 2008, in the aggregate amount of PhP508,101,387.12 consisting of PhP262,576,825.03 for basic tax, and interest of PhP245,524,562.09 from 20 January 2009 to 30 September 2013.

The Corporation has sent formal written requests to the BIR for reinvestigation and recomputation of the alleged tax liability as the Corporation believed that the Tax Assessment is doubtful. The requests are still pending with the BIR.

The Board has taken legal advice and intends to pursue administrative and/or legal remedies on the Tax Assessment.

Other than the above tax cases, to the best knowledge and/or information of the Company, neither itself nor any of its affiliates and subsidiaries have been involved during the past five (5) years in any material legal proceedings affecting/involving the Company, its affiliates or subsidiaries, or any material or substantial portion of their property before any court of law or administrative body in the Philippines or elsewhere.

Financial Risk Exposure:

In the context of the current global financial condition, the Securities and Exchange Commission sent us a memorandum to companies on 29 October 2008, which requires companies to make a self-assessment or evaluation to determine whether any of the items below are applicable. If applicable, these items must be disclosed in the interim financial report on SEC Form 17-Q (“Quarterly Report”):

1. The qualitative and quantitative impact of any changes in the financial risk exposures of GPHC, particularly on currency, interest, credit, market and liquidity risks, that would materially affect its financial condition and results of operation, and a description of any enhancement in the Company’s risk management policies to address the same.
2. A description of the financial instruments of the Company and the classification and measurements applied for each. If material in amount, provide detailed explanation or complex securities particularly on derivatives and their impact on the financial condition of the Company.
3. The amount and description of the Company’s investments in foreign securities.
4. The significant judgments made in classifying a particular financial instrument in the fair value hierarchy.
5. An explanation of how risk is incorporated and considered in the valuation of assets or liabilities.
6. A comparison of the fair values as of date of the recent interim financial report and as date of the preceding interim period, and the amount of gain or loss recognized for each of the said periods.
7. The criteria used to determine whether the market for a financial instrument is active or inactive, as defined under Philippine Accounting Standard 39 – Financial Instruments.



The Board of Directors (BOD) has overall responsibility for the establishment and oversight of the Company's risk management framework. The BOD has established the Executive Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee identifies all issues affecting the operations of the Company and reports regularly to the BOD on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. All risks faced by the Company are incorporated in the annual operating budget. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Company's operations and detriment forecasted results. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee directly interfaces with the internal audit function, which undertakes reviews of risk management controls and procedures and ensures the integrity of internal control activities which affect the financial management system of the Company. The results of procedures performed by Internal Audit are reported to the Audit Committee.

### Credit Risk

Credit risk represents the risk of loss the Company would incur if credit customers and counterparties fail to perform their contractual obligations. The Company's credit risk arises principally from the Company's trade receivables.

Exposure to credit risk is monitored on an ongoing basis, credit checks being performed on all clients requesting credit over certain amounts. Credit is not extended beyond authorized limits, established where appropriate through consultation with a professional credit vetting organization. Credit granted is subject to regular review, to ensure it remains consistent with the clients' current credit worthiness and appropriate to the anticipated volume of business.

The investment of the Company's cash resources is managed so as to minimize risk while seeking to enhance yield. The Company's holding of cash and money market placements expose the Company's to credit risk of the counterparty if the counterparty is unwilling or unable to fulfill its obligations and the Company consequently suffers financial loss. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating. The treasury policy sets aggregate credit limits of any one counterparty and annually reviews the exposure limits and credit ratings of the counterparties.

Receivables balance is being monitored on a regular basis to ensure timely execution of necessary intervention efforts. As of balance sheet date, there were no significant concentrations of credit risk.

### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

### Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company is subject to various market risks, including risks from changes in room rates, interest rates and currency exchange rates.

### *Room Rates*

The risk from room rate changes relates to the Company's ability to recover higher operating costs through price increases to customers, which may be limited due to the competitive pricing environment that exists in the Philippine hotel industry and the willingness of customers to avail of hotel rooms at higher prices.

The Company minimizes its exposure to risks in changes in room rates by signing contracts with short period of expiry so this gives the Company the flexibility to adjust its room rates in accordance to market conditions.

### *Interest Rate Risk*

The Company has no interest-bearing debt obligations to third parties. As such, the Company has minimal interest rate risk.

### *Foreign Currency Risk*

Foreign assets and financing facilities extended to the Company were mainly denominated in Philippine Peso. As such, the Company's foreign currency risk is minimal.

The Company functional currency is Philippines peso. As at 30 September 2014, it holds bulk of its cash and cash equivalent in Philippines peso. The United States dollars are used to settle foreign obligations. As such, the Company does not have currency risk exposure.

The Company does not have any third party loans so it has no interest rate risk. The Company in the ordinary course of business extends credit to its customers. Exposure to credit risk is monitored on an ongoing basis, credit review being performed for clients requesting for credit limit. The total exposure to trade receivables as at 30 September 2014 is Peso28 million.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility. As at 30 September 2014, the Company has Peso549 million current assets and Peso366 million liabilities so the current assets are able to cover its liabilities.

The Company does not invest in any other financial instruments. Any surplus funds are placed in short-term fixed deposits with local bank like Metropolitan Bank and Trust Co. and foreign bank like Australian and New Zealand Bank (ANZ).

The Company also does not invest in foreign securities.

The fair values together with the carrying amounts of the financial assets and liabilities shown in the balance sheet date are as follows:

|                           | <b>30 September<br/>2014</b> | <b>30 September<br/>2014</b> | 31 December<br>2013 | 31 December<br>2013 |
|---------------------------|------------------------------|------------------------------|---------------------|---------------------|
|                           | <b>Carrying<br/>amount</b>   | <b>Fair value</b>            | Carrying<br>amount  | Fair value          |
| Cash and cash equivalents | <b>193,489,685</b>           | <b>193,489,685</b>           | 205,890,654         | 205,890,654         |
| Receivables net           | <b>283,941,591</b>           | <b>283,941,591</b>           | 292,414,969         | 292,414,969         |
| Due from related party    | <b>19,348,090</b>            | <b>19,348,090</b>            | 19,396,639          | 19,396,639          |
| Loan receivable           | <b>15,500,000</b>            | <b>15,500,000</b>            | 15,500,000          | 15,500,000          |
| Lease deposit             | <b>78,000,000</b>            | <b>78,000,000</b>            | 78,000,000          | 78,000,000          |

|                                     |                    |                    |             |             |
|-------------------------------------|--------------------|--------------------|-------------|-------------|
| Accounts payable & accrued expenses | <b>314,946,835</b> | <b>314,946,835</b> | 323,868,007 | 323,868,007 |
| Due to related party                | <b>9,771,246</b>   | <b>9,771,246</b>   | 2,115,420   | 2,115,420   |

The following summarizes the methods and assumptions used in estimating the fair values of financial instruments reflected in the above table:

Cash and cash equivalent – the carrying amount approximates the fair value due to its short maturity.

Receivables/ due from related party/ loan receivable/ lease deposit/ accounts payable and accrued expenses/ due to related party – current receivables are reported at their net realizable values, at total amount less allowances for uncollectible amounts. Current liabilities are stated at amounts reasonably expected to be paid within the next 12 months or operating cycle. Due from/to related party and loan receivable are payable on demand. In the case of lease deposit, the fair value approximates the carrying amount.

**GRAND PLAZA HOTEL CORPORATION****Balance Sheets****September 30, 2014 and 2013***(With comparative figures for the year ended December 31, 2013)***(In Philippine Pesos)**

| <b>ASSETS</b>                                    | <b>Unaudited<br/>September 30, 2014</b> | <b>Unaudited<br/>September 30, 2013</b> | <b>Audited<br/>Dec. 31, 2013</b> |
|--|---|---|----------------------------------|
| <b>Current Assets</b>                            |   |   |                                  |
| Cash and short-term notes                        | 193,489,685.93                          | 202,307,947.81                          | 205,890,654.72                   |
| Accrued interest receivable                      | 41,671.20                               | 39,433.08                               | 22,654.06                        |
| Accounts receivable - trade                      | 265,231,604.66                          | 265,641,102.34                          | 273,845,078.08                   |
| Accounts receivable - others                     | 19,071,249.52                           | 18,426,388.22                           | 18,702,858.76                    |
| Provision for bad debts                          | (402,933.16)                            | (262,393.00)                            | (155,621.00)                     |
| Deferred tax assets/(liabilities)                | 7,966,366.22                            | 7,734,354.10                            | 5,571,855.45                     |
| Input tax  | -                                       | -                                       | -                                |
| Advances to associated/related companies         | 19,348,090.44                           | 20,344,080.46                           | 19,396,639.04                    |
| Advances to immediate holding company            | 2,184,716.14                            | 1,479,041.63                            | 1,535,611.59                     |
| Inventories                                      | 16,002,788.40                           | 14,284,623.88                           | 13,582,446.90                    |
| Prepaid expenses                                 | 7,321,568.62                            | 10,159,790.48                           | 6,529,122.38                     |
| Creditable withholding tax                       | -                                       | -                                       | -                                |
| Other current assets                             | 19,529,415.56                           | 21,554,541.28                           | 22,501,117.77                    |
| Advances to/from THHM                            | -                                       | -                                       | -                                |
| <i>Total Current Assets</i>                      | <u>549,784,223.53</u>                   | <u>561,708,910.28</u>                   | <u>567,422,417.75</u>            |
| <b>Property and Equipment</b>                    | 626,106,174.63                          | 656,375,379.15                          | 647,640,323.22                   |
| <b>Investment in Stock of Associated Company</b> | 49,698,304.46                           | 48,312,553.27                           | 48,467,137.69                    |
| <b>Deposit on Lease Contract</b>                 | 78,000,000.00                           | 78,000,000.00                           | 78,000,000.00                    |
| <b>Loans Receivable</b>                          | 15,500,000.00                           | 15,500,000.00                           | 15,500,000.00                    |
| <b>Other Assets</b>                              |   |   |                                  |
| Miscellaneous investments and deposits           | 5,085,790.50                            | 5,085,790.50                            | 5,085,790.50                     |
| Others   | 1,010,000.00                            | 1,010,000.00                            | 1,010,000.00                     |
| <i>Total Other Assets</i>                        | <u>6,095,790.50</u>                     | <u>6,095,790.50</u>                     | <u>6,095,790.50</u>              |
| <b>Total Assets</b>                              | <u><u>1,325,184,493.12</u></u>          | <u><u>1,365,992,633.20</u></u>          | <u><u>1,363,125,669.16</u></u>   |

**GRAND PLAZA HOTEL CORPORATION****Balance Sheets****September 30, 2014 and 2013***(With comparative figures for the year ended December 31, 2013)***(In Philippine Pesos)**

| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  | <b>Unaudited<br/>September 30, 2014</b> | <b>Unaudited<br/>September 30, 2013</b> | <b>Dec. 31, 2013</b>                  |
|--|---|---|---------------------------------------|
| <b><i>Current Liabilities</i></b>  |   |   |                                       |
| Accounts payable   | 243,065,410.73                          | 256,452,739.08                          | 257,719,760.24                        |
| Accrued liabilities  | 71,881,425.08                           | 65,897,212.34                           | 65,148,247.18                         |
| Rental payable   | 4,983,330.14                            | 4,717,223.20                            | -                                     |
| Due to associated/related companies  | 9,771,246.82                            | 6,266,501.23                            | 2,115,420.77                          |
| Advances from immediate holding company - net  |   |   |                                       |
| Refundable deposit   | 30,170,126.55                           | 32,039,151.41                           | 29,120,789.69                         |
| Deferred rental  | -                                       | 1,356,784.82                            | -                                     |
| Dividend payable   | -                                       | -                                       | -                                     |
| Income tax payable   | 852,923.94                              | (3,201,518.99)                          | -                                     |
| Other current liabilities  | 3,576,045.51                            | 3,866,753.71                            | 3,788,777.06                          |
| Reserves   | 2,002,605.42                            | 3,104,517.93                            | 12,231.89                             |
| <b><i>Total Current Liabilities</i></b>  | <b><u>366,303,114.19</u></b>            | <b><u>370,499,364.73</u></b>            | <b><u>357,905,226.83</u></b>          |
| <b><i>Long - Term Liabilities</i></b>  |   |   |                                       |
| <b><i>Total Long - Term Liabilities</i></b>  | <b><u>-</u></b>                         | <b><u>-</u></b>                         | <b><u>-</u></b>                       |
| <b><i>Capital Stock</i></b>  |   |   |                                       |
| Authorized - 115,000,000 shares in March 31, 2009<br>and December 31, 2008 at P10.00 par value per share |   |   |                                       |
| Capital stock  | 873,182,699.00                          | 873,182,699.00                          | 873,182,699.00                        |
| Premium on capital stock   | 11,965,903.78                           | 11,965,903.78                           | 11,965,903.78                         |
| Paid-in capital in excess of par - Warrants  | 2,691,613.81                            | 2,691,613.81                            | 2,691,613.81                          |
| Treasury stock   | (1,680,020,370.00)                      | (1,630,777,870.00)                      | (1,630,777,870.00)                    |
| Retained earnings/(deficit) - beginning  | 1,742,072,850.72                        | 1,656,606,332.94                        | 1,656,606,332.94                      |
| Retained profit/(loss) for the period  | 2,903,436.72                            | 81,824,588.94                           | 85,466,517.80                         |
| Dividend declared  | -                                       | -                                       | -                                     |
| Working Capital Contribution   | -                                       | -                                       | -                                     |
| Reserves / net Actuarial Loss  | 6,085,244.90                            | -                                       | 6,085,245.00                          |
| <b><i>Total Stockholders' Equity</i></b>   | <b><u>958,881,378.93</u></b>            | <b><u>995,493,268.47</u></b>            | <b><u>1,005,220,442.33</u></b>        |
| <b><i>Total Liabilities and Stockholders' Equity</i></b>   | <b><u><u>1,325,184,493.12</u></u></b>   | <b><u><u>1,365,992,633.20</u></u></b>   | <b><u><u>1,363,125,669.16</u></u></b> |

**GRAND PLAZA HOTEL CORPORATION**

**Income Statements**

**For the years ended September 30, 2014 and 2013**

*(With comparative figures for the year ended December 31, 2013)*

**(In Philippine Pesos)**

|  | <b>Unaudited<br/>Year-to-date<br/>September 30, 2014</b> | <b>Unaudited<br/>Year-to-date<br/>September 30, 2013</b> | <b>Audited<br/>Full Year<br/>Dec. 31, 2013</b> |
|--|--|--|--|
| <b>Revenue</b>                               |  |  |  |
| Rooms  | 227,283,062.69   | 252,828,209.65   | 336,688,054.71                                 |
| Food & Beverage                              | 97,594,780.22  | 116,210,165.16   | 158,290,396.90                                 |
| Other Operated Depts.                        | 4,457,201.32   | 5,121,509.32   | 6,665,324.32                                   |
| Rental Income/Others                         | 5,419,049.06   | 77,634,125.91  | 81,009,951.49                                  |
| <i>Total Revenue</i>                         | <u>334,754,093.29</u>                                    | <u>451,794,010.04</u>                                    | <u>582,653,727.42</u>                          |
| <b>Cost of Sales</b>                         |  |  |  |
| Food & Beverage                              | 37,265,649.66  | 39,240,901.88  | 56,463,275.74                                  |
| Other Operated Depts.                        | 2,097,288.32   | 2,561,042.15   | 3,286,693.55                                   |
| <i>Total Cost of Sales</i>                   | <u>39,362,937.98</u>                                     | <u>41,801,944.03</u>                                     | <u>59,749,969.29</u>                           |
| <b>Gross Profit</b>                          | 295,391,155.31   | 409,992,066.01   | 522,903,758.13                                 |
| <b>Operating Expenses</b>                    | 307,905,928.64   | 305,329,603.30   | 414,218,192.99                                 |
| <b>Net Operating Income</b>                  | <u>(12,514,773.33)</u>                                   | <u>104,662,462.71</u>                                    | <u>108,685,565.14</u>                          |
| <b>Non-operating Income/(Loss)</b>           |  |  |  |
| Interest Income                              | 4,048,996.98   | 5,676,505.14   | 7,125,400.95                                   |
| Dividend Income                              | -  | -  | -  |
| Gain/(Loss) on Disposal of Fixed Assets      | -  | 76,700.00  | -  |
| Exchange Gain/(Loss)                         | 148,342.90   | 5,994,924.95   | 7,171,956.34                                   |
| Share in Net Income/(Loss) of Associated Co. | 1,231,166.79   | 456,454.25   | 611,038.67                                     |
| Other Income                                 | 14,767,898.90  | -  | 76,700.00                                      |
| <i>Total Non-Operating Income</i>            | <u>20,196,405.57</u>                                     | <u>12,204,584.34</u>                                     | <u>14,985,095.96</u>                           |
| <b>Net Income/(Loss) Before Tax</b>          | 7,681,632.24   | 116,867,047.05   | 123,670,661.10                                 |
| <b>Provision for Income Tax</b>              | 4,778,195.52   | 35,042,458.11  | 38,204,143.30                                  |
| <b>Net Income/(Loss) After Tax</b>           | <u><u>2,903,436.72</u></u>                               | <u><u>81,824,588.94</u></u>                              | <u><u>85,466,517.80</u></u>                    |
| <b>Earnings per share</b>                    | <u>0.05</u>  | <u>1.50</u>  | <u>1.56</u>                                    |
| <b>Dilluted earnings per share</b>           | <u>0.05</u>  | <u>1.50</u>  | <u>1.56</u>                                    |

**Notes:**

In Sept 30, 2014 total shares outstanding is 53,717,369 net of 33,600,901 treasury shares

In Sept 30, 2013 total shares outstanding is 54,702,219 net of 32,616,051 treasury shares

**GRAND PLAZA HOTEL CORPORATION**  
**Income Statements**  
**For the 3rd quarters ended September 30, 2014 and 2013**  
**(In Philippine Pesos)**

|  | <b>Unaudited<br/>3rd Quarter<br/>September 30, 2014</b> | <b>Unaudited<br/>3rd Quarter<br/>September 30, 2013</b> |
|--|---|---|
| <b>Revenue</b>                               |   |   |
| Rooms  | 68,347,512.95   | 66,524,602.67   |
| Food & Beverage                              | 31,713,385.28   | 30,506,347.28   |
| Other Operated Depts.                        | 1,772,811.36  | 1,403,665.75  |
| Rental Income/Others                         | (12,962,140.75)   | 3,922,833.21  |
|  | <u>88,871,568.84</u>                                    | <u>102,357,448.91</u>                                   |
| <br><b>Cost of Sales</b>                     |   |   |
| Food & Beverage                              | 11,879,844.63   | 11,381,583.92   |
| Other Operated Depts.                        | 708,073.17  | 711,388.91  |
|  | <u>12,587,917.80</u>                                    | <u>12,092,972.83</u>                                    |
| <br><b>Gross Profit</b>                      | 76,283,651.04   | 90,264,476.08   |
| <br><b>Operating Expenses</b>                | <u>95,460,922.30</u>                                    | <u>95,086,699.41</u>                                    |
| <br><b>Net Operating Income</b>              | <u>(19,177,271.26)</u>                                  | <u>(4,822,223.33)</u>                                   |
| <br><b>Non-operating Income/(Loss)</b>       |   |   |
| Interest Income                              | 1,346,097.02  | 1,532,333.80  |
| Dividend Income                              | -   | -   |
| Gain/(Loss) on Disposal of Fixed Assets      | -   | 39,200.00   |
| Exchange Gain/(Loss)                         | 2,015,250.37  | (178,593.84)  |
| Share in Net Income/(Loss) of Associated Co. | 694,341.85  | 168,671.45  |
| Other Income                                 | 14,767,898.90   | -   |
|  | <u>18,823,588.14</u>                                    | <u>1,561,611.41</u>                                     |
| <br><b>Net Income/(Loss) Before Tax</b>      | (353,683.12)  | (3,260,611.92)  |
| <br><b>Provision for Income Tax</b>          | <u>(258,735.86)</u>                                     | <u>(361,852.07)</u>                                     |
| <br><b>Net Income/(Loss) After Tax</b>       | <u><u>(94,947.26)</u></u>                               | <u><u>(2,898,759.85)</u></u>                            |



**GRAND PLAZA HOTEL CORPORATION**  
**Statements of Changes in Equity**  
**For the years ended September 30, 2014 and 2013**  
*(With comparative figures for the year ended December 31, 2013)*  
**(In Philippine Pesos)**

|                                    | <u>Unaudited<br/>September 30, 2014</u> | <u>Unaudited<br/>September 30, 2013</u> | <u>Audited<br/>Dec. 31, 2013</u>      |
|------------------------------------|---|---|---------------------------------------|
| <b>Balance - beginning</b>         | 1,005,220,442.33                        | 1,056,135,329.55                        | 1,056,135,329.55                      |
| Prior period adjustment            |   |   |                                       |
| <b>Balance - as adjusted</b>       | <b>1,005,220,442.33</b>                 | <b>1,056,135,329.55</b>                 | <b>1,056,135,329.55</b>               |
| Net income for the period          | 2,903,436.72                            | 81,824,588.94                           | 85,466,517.80                         |
| Dividends                          | -                                       | -                                       | -                                     |
| Retirement of shares               | -                                       | -                                       | -                                     |
| <i>Reserves/Net Actuarial Loss</i> |   |   | 6,085,245.00                          |
| Buyback of shares                  | <u>(49,242,500.00)</u>                  | <u>(142,466,650.00)</u>                 | <u>(142,466,650.00)</u>               |
| <b>Balance - end</b>               | <b><u><u>958,881,379.05</u></u></b>     | <b><u><u>995,493,268.49</u></u></b>     | <b><u><u>1,005,220,442.35</u></u></b> |

**GRAND PLAZA HOTEL CORPORATION**

**Cash Flow Statements**

**For the years ended September 30, 2014 and 2013**

*(With comparative figures for the year ended December 31, 2013)*

**(In Philippine Pesos)**

|  | <b>Unaudited<br/>Year-to-date<br/>September 30, 2014</b> | <b>Unaudited<br/>Year-to-date<br/>September 30, 2013</b> | <b>Audited<br/>Full Year<br/>Dec. 31, 2013</b> |
|--|--|--|--|
| <b>Cash flows from operating activities</b>                                      |  |  |  |
| Net income   | 2,903,436.72   | 81,824,588.94  | 85,466,517.80                                  |
| Adjustments to reconcile net income to net cash provided by operating activities |  |  |  |
| Prior period adjustments   | -  |  | -  |
| Depreciation and amortization  | 26,732,674.14  | 27,558,703.52  | 36,293,759.45                                  |
| Equity in net income of associated company                                       | (1,231,166.79)   | (456,454.25)   | (611,038.67)                                   |
| Provision for bad debts  | 402,933.16   | 262,393.00   | 155,621.00                                     |
| Changes in operating assets and liabilities                                      |  |  |  |
| (Increase) decrease in   |  |  |  |
| Accrued interest receivable  | (19,017.14)  | 128,528.78   | 145,307.80                                     |
| Accounts receivable - trade  | 8,457,852.42   | 5,510,752.54   | (2,693,223.20)                                 |
| Accounts receivable - others   | (368,390.76)   | (10,759,055.98)  | (11,035,526.52)                                |
| Deferred income tax  | (2,394,510.77)   | 4,196,991.32   | 6,359,489.97                                   |
| Input tax  | -  | -  | -  |
| Advances to associated company   | 48,548.60  | (5,689,300.20)   | (4,741,858.78)                                 |
| Advances to immediate holding company  | (649,104.55)   | (483,362.27)   | (539,932.23)                                   |
| Inventories  | (2,420,341.50)   | 276,077.07   | 978,254.05                                     |
| Prepaid expenses   | (792,446.24)   | (5,973,547.11)   | (2,342,879.01)                                 |
| Creditable withholding tax   | -  | -  | -  |
| Other current assets   | 2,971,702.21   | 495,855.31   | (450,721.18)                                   |
| Advances to/from THHM  | -  | -  | -  |
| Increase (decrease) in   |  |  |  |
| Accounts payable   | (14,654,349.51)  | (3,029,366.40)   | (1,762,345.24)                                 |
| Accrued liabilities  | 6,733,177.90   | (4,928,081.45)   | (5,677,046.61)                                 |
| Notes payable  | -  | -  | -  |
| Rental payable   | 4,983,330.14   | 2,812,880.00   | (1,904,343.20)                                 |
| Due to associated company  | 7,655,826.05   | 1,327,358.04   | (2,823,722.42)                                 |
| Advances from immediate holding company - net                                    | -  | -  | -  |
| Advances from intermediate holding company                                       | -  | -  | -  |
| Refundable deposit   | 1,049,336.86   | 807,276.36   | (2,111,085.36)                                 |
| Deferred rental - Pagcor   | -  | (3,716,344.83)   | (5,073,129.65)                                 |
| Due to City e-Solutions Limited (formerly CHIL)                                  | -  | -  | -  |
| Due to Byron   | -  | -  | -  |
| Dividend payable   | -  | -  | -  |
| Output tax   | -  | -  | -  |
| Income tax payable   | 852,923.94   | (17,933,402.85)  | (14,731,883.86)                                |
| Other current liabilities  | (212,731.55)   | (81,475.60)  | (159,452.25)                                   |
| Reserves   | 1,990,373.53   | 3,092,285.94   | (0.10)   |
|  | <u>42,040,056.86</u>                                     | <u>75,243,299.88</u>                                     | <u>72,740,761.79</u>                           |
| <b>Cash flows from investing activities</b>                                      |  |  |  |
| Acquisition of property and equipment - net                                      | (5,198,525.55)   | (13,096,095.62)  | (13,096,095.62)                                |
| Dividend (declared)/received   | -  | -  | -  |
| (Receipts)/Refund of deposit on lease contract                                   | -  | -  | -  |
| (Receipts)/Payments relating to other assets                                     | -  | -  | -  |
| Retirement of treasury stocks  | -  | -  | -  |
| Buyback of shares - net  | (49,242,500.00)  | (142,466,650.00)   | (142,466,650.00)                               |
| Reserves / Net Actuarial Loss  | -  | -  | 6,085,245.00                                   |
|  | <u>(54,441,025.55)</u>                                   | <u>(155,562,745.62)</u>                                  | <u>(149,477,500.62)</u>                        |
| <b>Cash flows from financing activities</b>                                      |  |  |  |
| Increase/(Decrease) in reserves  | -  | -  | -  |
|  | <u>-</u>   | <u>-</u>   | <u>-</u>                                       |
| <b>Net increase in cash and short-term notes</b>                                 | (12,400,968.69)  | (80,319,445.74)  | (76,736,738.83)                                |
| <b>Cash and short-term notes, Beginning</b>                                      | <u>205,890,654.72</u>                                    | <u>282,627,393.57</u>                                    | <u>282,627,393.57</u>                          |
| <b>Cash and short-term notes, Ending</b>   | <u><u>193,489,686.03</u></u>                             | <u><u>202,307,947.83</u></u>                             | <u><u>205,890,654.74</u></u>                   |

**GRAND PLAZA HOTEL CORPORATION**  
**Cash Flow Statements**  
**For the 3rd quarters ended September 30, 2013 and 2012**  
**(In Philippine Pesos)**

|  | <b>Unaudited<br/>3rd Quarter<br/>September 30, 2014</b> | <b>Unaudited<br/>3rd Quarter<br/>September 30, 2013</b> |
|--|---|---|
| <b>Cash flows from operating activities</b>                                      |   |   |
| Net income   | (94,947.26)   | (2,898,759.85)  |
| Adjustments to reconcile net income to net cash provided by operating activities |   |   |
| Depreciation and amortization  | 9,317,711.84  | 9,159,749.71  |
| Equity in net income of associated company                                       | (694,341.85)  | (168,671.45)  |
| Provision for bad debts  | 402,933.16  | 262,393.00  |
| Changes in operating assets and liabilities                                      |   |   |
| (Increase) decrease in   |   |   |
| Accrued interest receivable  | (18,089.86)   | 79,550.67   |
| Accounts receivable - trade  | 6,658,867.75  | 17,391,811.75   |
| Accounts receivable - others   | (230,554.27)  | (3,913,040.06)  |
| Deferred income tax  | (95,235.01)   | 1,018,369.05  |
| Input tax  | -   | -   |
| Advances to associated company   | (1,115,728.78)  | (890,602.21)  |
| Advances to immediate holding company  | (131,799.66)  | (90,944.00)   |
| Inventories  | (1,773,439.51)  | (518,067.80)  |
| Prepaid expenses   | 1,463,877.84  | (2,857,881.12)  |
| Creditable withholding tax   | -   | -   |
| Other current assets   | 735,952.76  | 1,439,316.26  |
| Advances to/from THHM  | -   | -   |
| Increase (decrease) in   |   |   |
| Accounts payable   | 1,945,451.31  | 393,786.67  |
| Accrued liabilities  | 7,234,436.17  | (6,511,459.97)  |
| Notes payable  | -   | -   |
| Rental payable   | 4,983,330.14  | 952,211.60  |
| Due to associated company  | 4,055,487.13  | (11,263,291.02)   |
| Advances from immediate holding company - ne                                     | -   | -   |
| Advances from intermediate holding company                                       | -   | -   |
| Refundable deposit   | 447,891.54  | 1,868,518.99  |
| Deferred rental - Pagcor   | -   | (566,442.88)  |
| Due to City e-Solutions Limited ( <i>formerly CHIL</i> )                         | -   | -   |
| Due to Byron   | -   | -   |
| Dividend payable   | -   | -   |
| Output tax   | -   | -   |
| Income tax payable   | (4,499,079.79)  | (7,972,562.72)  |
| Other current liabilities  | (812,553.03)  | (357,494.94)  |
| Reserves   | 360,568.07  | 202,438.52  |
|  | <u>28,140,738.69</u>                                    | <u>(5,241,071.80)</u>                                   |
| <b>Cash flows from investing activities</b>                                      |   |   |
| Acquisition of property and equipment - net                                      | (3,419,954.14)  | (8,346,234.62)  |
| Dividend (declared)/received   | -   | -   |
| (Receipts)/Refund of deposit on lease contract                                   | -   | -   |
| (Receipts)/Payments relating to other assets                                     | -   | -   |
| Retirement of treasury stocks  | -   | -   |
| Buyback of shares  | (49,242,500.00)   | (142,466,650.00)  |
|  | <u>(52,662,454.14)</u>                                  | <u>(150,812,884.62)</u>                                 |
| <b>Cash flows from financing activities</b>                                      |   |   |
| Increase/(Decrease) in reserves  | -   | -   |
|  | <u>-</u>  | <u>-</u>  |
| <b>Net increase in cash and short-term notes</b>                                 | (24,521,715.45)   | (156,053,956.42)  |
| <b>Cash and short-term notes, Beginning</b>                                      | <u>218,011,401.38</u>                                   | <u>358,361,904.23</u>                                   |
| <b>Cash and short-term notes, Ending</b>   | <u><b>193,489,685.93</b></u>                            | <u><b>202,307,947.81</b></u>                            |

**Grand Plaza Hotel Corporation**  
**Aging Report As At 30 September 2014**

| <b>Customer Type</b>   | <b>0 to<br/>8 days</b> | <b>9 to<br/>30 days</b> | <b>31 to<br/>60 days</b> | <b>61 to<br/>90 days</b> | <b>91 to<br/>120 days</b> | <b>Over<br/>120 days</b> | <b>Total</b>      | <b>%</b>       |
|------------------------|------------------------|-------------------------|--------------------------|--------------------------|---------------------------|--------------------------|-------------------|----------------|
| Airlines               | 1,164,849              | 1,284,789               | 1,780,110                | 1,666,969                |                           | 532,644                  | 6,429,361         | 22.70%         |
| Credit card            | 1,965,951              |                         |                          |                          |                           | 34,679                   | 2,000,630         | 7.06%          |
| PAGCOR                 |                        |                         |                          |                          |                           | 8,936,199                | 8,936,199         | 31.56%         |
| Company - local        | 638,796                | 1,787,556               | 655,963                  | 218,663                  | 227,109                   | 596,582                  | 4,124,669         | 14.57%         |
| Overpayment            | (280,460)              |                         | (5,250)                  | (145,971)                | (4,680)                   | (375,320)                | (811,681)         | -2.87%         |
| Permanent accounts     | 34,239                 | 52,570                  | 24,652                   | 53,790                   | 13,490                    | 61,919                   | 240,660           | 0.85%          |
| Embassy & government   | 921,700                | 228,362                 | 327,283                  |                          |                           | 252,600                  | 1,729,945         | 6.11%          |
| Travel Agent - Local   | (314,711)              | 434,023                 | 253,440                  |                          |                           |                          | 372,752           | 1.32%          |
| Temporary credit       | 379,797                | 1,690,956               | 1,101,709                | 332,487                  | 658,113                   | 19,500                   | 4,182,562         | 14.77%         |
| Travel Agent - Foreign | 192,509                | 455,079                 | 194,453                  | 15,839                   | 255,745                   |                          | 1,113,625         | 3.93%          |
| <b>TOTAL</b>           | <b>4,702,670</b>       | <b>5,933,335</b>        | <b>4,332,360</b>         | <b>2,141,777</b>         | <b>1,149,777</b>          | <b>10,058,803</b>        | <b>28,318,722</b> | <b>100.00%</b> |
| <b>%</b>               | <b>16.61%</b>          | <b>20.95%</b>           | <b>15.30%</b>            | <b>7.56%</b>             | <b>4.06%</b>              | <b>35.52%</b>            | <b>100.00%</b>    |                |