Reference No : 462300053354696
Date Filed : April 13, 2023 06:40 PM
Batch Number : 0

For BIR Use Only: BCS/ Item:

Republic of the Philippines
Department of Finance
Bureau of Internal Revenue

BIR Form No. **1702-RT** January 2018(ENCS) Page 1

Annual Income Tax Return

For Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate

Enter all required information in CAPITAL LETTERS. Mark applicable boxes with an "X". Two Copies MUST be filed with the BIR and one held by the taxpayer.

1702-RT 01/18ENCS P1

1 For (X) Calendar ( ) Fiscal
2 Year Ended (MM/20YY): 12/2022
3 Amended Return? ( ) Yes (X) No
4 Short Period Return? ( ) Yes (X) No
5 Alphanumeric Tax Code (ATC): IC055 Minimum Corporate Income Tax (MCIT); IC010 DOMESTIC CORPORATION IN GENERAL

Part I - Background Information

6 Taxpayer Identification Number (TIN): 000 - 460 - 602 - 000
7 RDO Code: 125
8 Registered Name *(Enter only 1 letter per box using CAPITAL LETTERS)*: GRAND PLAZA HOTEL CORPORATION
9A Registered Address *(Indicate complete registered address)*: THE HERITAGE HOTEL MANILA ROXAS BOULEVARD COR. EDSA EXTE BARANGAY 76 PASAY CITY
9B Zipcode: 1300
10 Date of Incorporation/Organization (MM/DD/YYYY): 08/09/1989
11 Contact Number: 8548825
12 Email Address: kitsung.yam@millenniumhotels.com
13 Method of Deductions: (X) Itemized Deductions [Section 34 (A-J), NIRC] ( ) Optional Standard Deduction (OSD) - 40% of Gross Income [Section 34(L), NIRC as amended by RA No. 9504]

Part II - Total Tax Payable *(Do NOT enter Centavos)*

14 Total Income Tax Due (Overpayment) *(From Part IV Item 43)*		2,021,008
15 Less: Total Tax Credits/Payments *(From Part IV Item 55)*		18,936,183
16 Net Tax Payable (Overpayment) *(Item 14 Less Item 15) (From Part IV Item 56)*		(16,915,175)
Add Penalties		
17 Surcharge	0	
18 Interest	0	
19 Compromise	0	
20 Total Penalties *(Sum of Items 17 to 19)*		0
21 TOTAL AMOUNT PAYABLE (Overpayment) *(Sum of Item 16 and 20)*		(16,915,175)

If Overpayment, mark "X" one box only *(Once the choice is made, the same is irrevocable)*
( ) To be refunded ( ) To be issued a Tax Credit Certificate (TCC) (X) To be carried over as tax credit next year/quarter

We declare under the penalties of perjury, that this annual return has been made in good faith, verified by us, and to the best of our knowledge and belief, is true and correct pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof. *(If Authorized Representative, attach authorization letter and indicate TIN)*

Signature over printed name of President/Principal Officer/Authorized Representative | Signature over printed name of Treasurer/Assistant Treasurer | 22 Number of Attachments: 4

Title of Signatory: | TIN: | Title of Signatory: | TIN:

Part III - Details of Payment

Particulars	Drawee Bank/Agency	Number	Date (MM/DD/YYYY)	Amount
23 Cash/Bank Debit Memo				0
24 Check				0
25 Tax Debit Memo				0
26 Others *(Specify Below)*				
				0

Machine Validation/Revenue Official Receipts Details *(If not filed with an Authorized Agent Bank)*

Stamp of receiving Office/AAB and Date of Receipt *(RO's Signature/Bank Teller's Initial)*

BUREAU OF INTERNAL REVENUE
LT-DOCUMENT PROCESSING
& QUALITY ASSURANCE DIVISION
RECEIVED
APR 14 2023
ERWIN PACINIO

BIR Form No. **1702-RT** January 2018(ENCS) Page 2	**Annual Income Tax Return** Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate	1702-RT 01/18ENCS P2

Taxpayer Identification Number (TIN)	Registered Name
000 - 460 - 602 - 000	GRAND PLAZA HOTEL CORPORATION

Part IV - Computation of Tax *(Do NOT enter Centavos)*

27 Sales/Receipts/Revenues/Fees		295,403,856
28 Less: Sales Returns, Allowances and Discounts		0
29 Net Sales/Receipts/Revenues/Fees *(Item 27 Less Item 28)*		295,403,856
30 Less: Cost of Sales/Services		103,126,291
31 Gross Income from Operation *(Item 29 Less Item 30)*		192,277,565
32 Add: Other Taxable Income Not Subjected to Final Tax		0
33 Total Taxable Income *(Sum of Items 31 and 32)*		192,277,565
Less: Deductions Allowable under Existing Law		
34 Ordinary Allowable Itemized Deductions *(From Part VI Schedule I Item 18)*	194,268,083	
35 Special Allowable Itemized Deductions *(From Part VI Schedule II Item 5)*	0	
36 NOLCO *(only for those taxable under Sec. 27(A to C); Sec. 28(A)(1) & (A)(6)(b) of the tax Code) (From Part VI Schedule III Item 8)*	0	
37 Total Deductions *(Sum of Items 34 to 36)*	194,268,083	
***OR** [in case taxable under Sec 27(A) & 28(A)(1)]*		
38 Optional Standard Deduction *(40% of Item 33)*	0	
39 Net Taxable Income/(Loss) *(If Itemized: Item 33 Less Item 37; If OSD: Item 33 Less Item 38)*		(1,990,518)
40 Applicable Income Tax Rate		25 %
41 Income Tax Due other than Minimum Corporate Income Tax (MCIT) *(Item 39 x Item 40)*		0
42 MCIT Due *(2% of Item 33)*		2,021,008
43 Tax Due *(Normal Income Tax Due in Item 41 OR the MCIT Due in Item 42, whichever is higher) (To Part II Item 14)*		2,021,008
Less: Tax Credits/Payments (attach proof)		
44 Prior Year's Excess Credits Other Than MCIT		16,145,654
45 Income Tax Payment under MCIT from Previous Quarter/s		0
46 Income Tax Payment under Regular/Normal Rate from Previous Quarter/s		0
47 Excess MCIT Applied this Current Taxable Year *(From Part VI Schedule IV Item 4)*		0
48 Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307		2,404,187
49 Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter		386,342
50 Foreign Tax Credits, if applicable		0
51 Tax Paid in Return Previously Filed, if this is an Amended Return		0
52 Special Tax Credits *(To Part V Item 58)*		0
Other Credits/Payments *(Specify)*		
53		0
54		0
55 Total Tax Credits/Payments *(Sum of Items 44 to 54) (To Part II Item 15)*		18,936,183
56 Net Tax Payable / (Overpayment) *(Item 43 Less Item 55) (To Part II Item 16)*		(16,915,175)

Part V - Tax Relief Availment

57 Special Allowable Itemized Deductions *(Item 35 of Part IV x Applicable Income Tax Rate)*	0
58 Add: Special Tax Credits *(From Part IV Item 52)*	0
59 Total Tax Relief Availment *(Sum of Items 57 and 58)*	0

BUREAU OF INTERNAL
LT-DOCUMENT P
& QUALITY ASSUR
RECEIVED
APR 14 2023
ERWIN PACINIO

BIR Form No.
1702-RT
January 2018(ENCS)
Page 3

Annual Income Tax Return

Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate

1702-RT 01/18ENCS P3

Taxpayer Identification Number (TIN)	Registered Name
000 - 460 - 802 - 000	GRAND PLAZA HOTEL CORPORATION

Schedule I - Ordinary Allowable Itemized Deductions *(Attach additional sheet/s, if necessary)*

1 Amortizations	0
2 Bad Debts	0
3 Charitable Contributions	0
4 Depletion	0
5 Depreciation	0
6 Entertainment, Amusement and Recreation	0
7 Fringe Benefits	0
8 Interest	0
9 Losses	0
10 Pension Trust	0
11 Rental	0
12 Research and Development	0
13 Salaries, Wages and Allowances	0
14 SSS, GSIS, Philhealth, HDMF and Other Contributions	0
15 Taxes and Licenses	0
16 Transportation and Travel	0
17 Others (Deductions Subject to Withholding Tax and Other Expenses) *[Specify below; Add additional sheet(s), if necessary]*	
a Janitorial and Messengerial Services	0
b Professional Fees	0
c Security Services	0
d VARIOUS ACCOUNT PER AFS	194,268,083
e	0
f	0
g	0
h	0
i	0
18 Total Ordinary Allowable Itemized Deductions *(Sum of Items 1 to 17) (To Part IV Item 34)*	194,268,083

Schedule II - Special Allowable Itemized Deductions *(Attach additional sheet/s, if necessary)*

Description	Legal Basis	Amount
1		0
2		0
3		0
4		0
5 Total Special Allowable Itemized Deductions *(Sum of Items 1 to 4) (To Part IV Item 35)*		0

BUREAU OF INTERNAL REVENUE
& QUALITY
RECEIVED
APR 14 2023
ERWIN PACINIO

BIR Form No.
1702-RT
January 2018(ENCS)
Page 4

Annual Income Tax Return

Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate

1702-RT 01/18ENCS P4

Taxpayer Identification Number (TIN)	Registered Name
000 - 460 - 602 - 000	GRAND PLAZA HOTEL CORPORATION

Schedule III - Computation of Net Operating Loss Carry Over (NOLCO)

1 Gross Income *(From Part IV Item 33)*	192,277,565
2 Less: Ordinary Allowable Itemized Deductions *(From Part VI Schedule I Item 18)*	194,268,083
3 Net Operating Loss*(Item 1 Less Item 2) (To Schedule IIIA, Item 7A)*	(1,990,518)

Schedule IIIA - Computation of Available Net Operating Loss Carry Over (NOLCO) *(DO NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)*

	Net Operating Loss		B) NOLCO Applied Previous Year
	Year Incurred	A) Amount	
4	2022	1,990,518	0
5		0	0
6		0	0
7		0	0

Continuation of Schedule IIIA (Item numbers continue from table above)

	C) NOLCO Expired	D) NOLCO Applied Current Year	E) Net Operating Loss (Unapplied) *[E = A Less (B + C + D)]*
4	0	0	1,990,518
5	0	0	0
6	0	0	0
7	0	0	0
8 **Total NOLCO** *(Sum of Items 4D to 7D) (To Part IV, Item 36)*		0	

Schedule IV - Computation of Minimum Corporate Income Tax (MCIT)

	Year	A) Normal Income Tax as adjusted	B) MCIT	C) Excess MCIT over Normal Income Tax
1		0	0	0
2		0	0	0
3		0	0	0

Continuation of Schedule IV *(Item numbers continue from table above)*

	D) Excess MCIT Applied/Used in Previous Years	E) Expired Portion of Excess MCIT	F) Excess MCIT Applied this Current Taxable Year	G) Balance of Excess MCIT Allowable as Tax Credit for Succeeding Year/s [G = C Less (D + E + F)]
1	0	0	0	0
2	0	0	0	0
3	0	0	0	0
Total Excess MCIT Applied *(Sum of Items 1F to 3F) (To Part IV Item 47)*			0	

Schedule V - Reconciliation of Net Income per Books Against Taxable Income *(attach additional sheet/s, if necessary)*

1 Net Income/(Loss) per books		12,339,185
Add: Non-deductible Expenses/Taxable Other Income		
2	INTEREST INCOME	293,649
3	SHARE IN NET INCOME OF ASSOC COMPANY	976,374
4 Total *(Sum of Items 1 to 3)*		13,609,208
Less: A) Non-Taxable Income and Income Subjected to Final Tax		
5	VARIOUS ACCOUNT PER AFS	15,599,726
6		0
B) Special Deductions		
7		0
8		0
9 Total (Sum of Items 5 to 8)		15,599,726
10 Net Taxable Income/(Loss) (Item 4 Less Item 9)		(1,990,518)

BUREAU OF INTER... DOCUMENT... & QUALITY ASS...
RECEIVED
APR 14 2023
ERWIN PACINIO

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

FILING REFERENCE NO.

TIN	: 000-460-602-000
Name	: GRAND PLAZA HOTEL CORPORATION
RDO	: 125
Form Type	: 1702
Reference No.	: 462300053354696
Amount Payable (Over Remittance)	: -16,915,175.00
Accounting Type	: C - Calendar
For Tax Period	: 12/31/2022
Date Filed	: 04/13/2023
Tax Type	: IT

[BIR Main | eFPS Login | User Menu | Help]

BUREAU ... LT-DOCUMENT ... & QUALITY A...
RECEIVED
APR 14 2023
ERWIN PACINIO

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 6 6 8 7 8

COMPANY NAME

GRAND PLAZA HOTEL CORPORATION

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

10th Floor, The Heritage Hotel
Manila, EDSA corner
Roxas Boulevard, Pasay City

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
charles.veloso@quisumbingtorres.com	854-8838	0917-819-4954

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
16,383	May 15	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Yam Kit Sung		854-8838	

CONTACT PERSON's ADDRESS

10th Floor, The Heritage Hotel Manila, EDSA Corner, Roxas Boulevard, Pasay City

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

RECEIVED
APR 14 2023

5 April 2023

Statement of Management's Responsibility for Financial Statements

SECURITIES AND EXCHANGE COMMISSION
CCP Complex
Pasay City

The management of **Grand Plaza Hotel Corporation** (the **"Company"**), is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, as at and for the years ended **December 31, 2022 and 2021**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders or members.

R.G. Manabat &Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Kwek Eik Sheng
Chairman and President

Yam Kit Sung
Director, General Manager & Chief Financial Officer

Subscribed and sworn to before me a notary public for and in the City of SINGAPORE this 10 APR 2023 day of ____________ 2023, the signatories exhibiting to me their Community Tax Certificates/Passports details of which are as follows:

Name	Community Tax Certificate/ Passport Number	Date	Place of Issue
Kwek Eik Sheng	K2310445A	24 Oct 2021	Singapore
Yam Kit Sung	K3045346A	26 Jun 2022	Singapore

Notary Public

NOTARY PUBLIC
Ho Suk Tsing
Leslie
NP2023/0221
1 Apr 2023 - 31 Mar 2024
SINGAPORE

Doc. No.
Page No.
Book No.
Series of 2023

GRAND PLAZA HOTEL CORPORATION

FINANCIAL STATEMENTS
December 31, 2022, 2021 and 2020

With Independent Auditors' Report

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Grand Plaza Hotel Corporation
10th Floor, The Heritage Hotel Manila
EDSA corner Roxas Boulevard
Pasay City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Grand Plaza Hotel Corporation (the Company), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2022, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Grand Plaza Hotel Corporation as at December 31, 2022 and 2021, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RECEIVED
APR 14 2023
ERWIN PACINIO

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

KPMG

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation of Property and equipment
Refer to Note 10 to the financial statements.

The risk

As at December 31, 2022, the carrying amount of the Company's property and equipment was P550.33 million which represents 41% of its total assets. The Company's property and equipment were considered at risk of impairment because the Company has experienced a difficult business environment in 2022 and 2021 due to the Corona Virus Disease 2019 (COVID-19) pandemic. The fear of COVID-19 led to significant uncertainty and chaotic conditions in many industries. In the Philippines and in other countries, each government has implemented drastic measures including travel restrictions and home quarantine, to control the pandemic. Thus, this COVID-19 pandemic has affected every sector across the globe, and the hotel industry, to which the Company belongs, is an economic sector which is among those most severely affected.
In transitioning to return to its pre-pandemic normal operations, management exercises judgement in making an estimate of the recoverable amount of the asset against its carrying amount. The recoverable amount determined is based on cash flow projections prepared by management and highly dependent on its expectations of future hotel revenues and estimated costs necessary to make such revenues amidst a scenario that the effects of COVID-19 will continue and that it could take years for the hotel industry to recover. Therefore, greater levels of audit efforts were required in respect of the assumptions and estimates used in deriving the recoverable amount of these property and equipment.

Our response

Our audit procedures included, among others, obtaining an understanding of management's processes for impairment testing and assessing management's determination of the recoverable amount of the Company's property and equipment, which mainly consist of its hotel assets, by reviewing the fair value as reported by an independent appraiser who carried out the valuation using the *Income Approach*. We also performed evaluation of the competence, capabilities and objectivity of the independent appraiser and involved our own valuation specialists to assess the appropriateness of the valuation techniques and the reasonableness of the inputs and assumptions in the valuation report such as the projected economic growth, inflation rate, discount rate, and occupancy and room rates used in determining the recoverable amount of the Company's property and equipment. We assessed the main future cash flow inputs and corroborated them by comparing them to internal forecasts and strategic plans that were approved by management and compared these inputs against historical data and industry forecasts. We also assessed the adequacy of the relevant disclosures made in the financial statements.

KPMG

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease its operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

KPMG

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 28 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditors' report is Alicia S. Columbres.

R.G. MANABAT & CO.

ALICIA S. COLUMBRES
Partner
CPA License No. 069679
SEC Accreditation No. 69679-SEC, Group A, valid for five (5) years covering the audit of 2022 to 2026 financial statements
Tax Identification No. 120-964-156
BIR Accreditation No. 08-001987-027-2020
Issued July 20, 2020; valid until July 19, 2023
PTR No. MKT 9563821
Issued January 3, 2023 at Makati City

April 11, 2023
Makati City, Metro Manila

BUREAU OF INTERNAL REVENUE
LT-DOCUMENT PROCESSING
& QUALITY ASSURANCE DIVISION
RECEIVED
APR 14 2023
ERWIN PACINIO

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2022	2021
ASSETS			
Current Assets			
Cash and cash equivalents	*4, 25*	**P490,020,736**	P386,245,378
Receivables - net	*5, 25*	**92,202,889**	106,369,487
Loan receivable	*9, 14, 25*	**15,500,000**	15,500,000
Due from related parties	*14, 25*	**11,042,591**	2,376,917
Inventories	*6*	**6,339,111**	4,661,037
Prepaid expenses and other current assets	*7*	**82,161,262**	37,966,524
Total Current Assets		**697,266,589**	553,119,343
Noncurrent Assets			
Property and equipment - net	*10, 14, 20*	**550,334,183**	550,463,200
Investment in an associate	*8, 14*	**49,975,224**	50,398,850
Deferred tax assets - net	*22*	**15,134,335**	21,070,647
Other noncurrent assets	*11, 14*	**87,018,989**	94,008,340
Total Noncurrent Assets		**702,462,731**	715,941,037
		P1,399,729,320	P1,269,060,380
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*12, 25*	**P63,224,894**	P61,595,142
Refundable deposits - current portion	*19, 20, 25*	**126,402,542**	26,666,052
Due to related parties	*14, 25*	**47,186,172**	46,285,248
Lease liability - current portion	*14, 20, 25*	**4,600,559**	4,237,441
Other current liabilities	*13, 25*	**57,557,493**	31,434,439
Total Current Liabilities		**298,971,660**	170,218,322
Noncurrent Liabilities			
Refundable deposits - net of current portion	*19, 20, 25*	**468,000**	468,000
Retirement benefits liability	*21*	**27,430,178**	33,482,499
Lease liability - noncurrent portion	*14, 20, 25*	**158,924,117**	163,524,676
Total Noncurrent Liabilities		**186,822,295**	197,475,175
Total Liabilities		**485,793,955**	367,693,497
Equity			
Capital stock	*24*	**873,182,700**	873,182,700
Additional paid-in capital		**14,657,517**	14,657,517
Remeasurement gains on retirement benefits liability - net	*21*	**15,466,287**	8,896,027
Retained earnings	*23*	**1,690,649,231**	1,684,651,009
Treasury stock	*24*	**(1,680,020,370)**	(1,680,020,370)
Total Equity		**913,935,365**	901,366,883
		P1,399,729,320	P1,269,060,380

See Notes to the Financial Statements.

BUREAU OF INTERNAL REVENUE
LT-DOCUMENT PROCESSING & QUALITY ASSURANCE DIV.
RECEIVED
APR 14 2023
ERWIN PACINIO

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF PROFIT OR LOSS

	Note	Years Ended December 31 2022	2021	2020
REVENUES				
Rooms		**P201,076,345**	P284,641,767	P258,805,062
Food and beverage		**87,488,455**	47,788,080	64,024,822
Other operating departments		**713,727**	238,853	2,098,822
Others		**6,125,329**	2,321,841	4,971,881
		295,403,856	334,990,541	329,900,587
COST OF SALES AND SERVICES	*16*	**103,126,291**	70,664,777	83,396,982
GROSS OPERATING INCOME		**192,277,565**	264,325,764	246,503,605
ADMINISTRATIVE EXPENSES	*17*	**199,568,770**	219,452,087	219,500,745
NET OPERATING (LOSS) INCOME		**(7,291,205)**	44,873,677	27,002,860
OTHER INCOME (EXPENSES)				
Interest income	*4, 9, 14*	**9,823,215**	5,199,246	6,440,213
Equity in net income of an associate	*8*	**976,374**	1,587,026	1,531,113
Interest on lease liability	*20*	**(13,560,167)**	(13,894,621)	(14,202,680)
Foreign exchange gain (loss) - net		**22,390,968**	9,334,158	(12,001,059)
		19,630,390	2,225,809	(18,232,413)
INCOME BEFORE INCOME TAX		**12,339,185**	47,099,486	8,770,447
INCOME TAX EXPENSES (BENEFIT)	*22*	**6,340,963**	13,430,432	(3,295,261)
NET INCOME		**P5,998,222**	P33,669,054	P12,065,708
Basic and Diluted Earnings Per Share	*18*	**P0.11**	P0.63	P0.22

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

			Years Ended December 31	
	Note	**2022**	2021	2020
NET INCOME		**P5,998,222**	P33,669,054	P12,065,708
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss				
Remeasurement gain (loss) on retirement benefits liability	*21*	**8,760,347**	386,762	(4,226,663)
Reduction in tax rate	*22*	**-**	573,731	-
Deferred tax (expense) benefit for the current period	*22*	**(2,190,087)**	(96,691)	1,267,999
		6,570,260	863,802	(2,958,664)
TOTAL COMPREHENSIVE INCOME		**P12,568,482**	P34,532,856	P9,107,044

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF CHANGES IN EQUITY

	Note	Capital Stock (Note 24)	Additional Paid-in Capital	Remeasurement Gains on Retirement Benefits Liabilty - net of tax	Retained Earnings (Note 23)	Treasury Stock (Note 24)	Total Equity
							Years Ended December 31
Balances at January 1, 2020		P873,182,700	P14,657,517	P10,990,889	P1,638,916,247	(P1,680,020,370)	P857,726,983
Net income for the year		-	-	-	12,065,708	-	12,065,708
Other comprehensive loss for the year	21	-	-	(2,958,664)	-	-	(2,958,664)
Total comprehensive income (loss) for the year		-	-	(2,958,664)	12,065,708	-	9,107,044
Balances at December 31, 2020		P873,182,700	P14,657,517	P8,032,225	P1,650,981,955	(P1,680,020,370)	P866,834,027
Balances at January 1, 2021		P873,182,700	P14,657,517	P8,032,225	P1,650,981,955	(P1,680,020,370)	P866,834,027
Net income for the year		-	-	-	33,669,054	-	33,669,054
Other comprehensive income for the year	21	-	-	863,802	-	-	863,802
Total comprehensive income for the year		-	-	863,802	33,669,054	-	34,532,856
Balances at December 31, 2021		P873,182,700	P14,657,517	P8,896,027	P1,684,651,009	(P1,680,020,370)	P901,366,883
Balances at January 1, 2022		**P873,182,700**	**P14,657,517**	**P8,896,027**	**P1,684,651,009**	**(P1,680,020,370)**	**P901,366,883**
Net income for the year		-	-	-	**5,998,222**	-	**5,998,222**
Other comprehensive income for the year	21	-	-	**6,570,260**	-	-	**6,570,260**
Total comprehensive income for the year		-	-	**6,570,260**	**5,998,222**	-	**12,568,482**
Balances at December 31, 2022		**P873,182,700**	**P14,657,517**	**P15,466,287**	**P1,690,649,231**	**(P1,680,020,370)**	**P913,935,365**

See Notes to the Financial Statements.

RECEIVED
ERWIN PACINIO

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF CASH FLOWS

	Note	2022	2021	2020
		Years Ended December 31		
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P12,339,185**	P47,099,486	P8,770,447
Adjustments for:				
Depreciation	*10, 17*	**40,610,635**	42,965,281	43,283,263
Interest expense on lease liability	*20*	**13,560,167**	13,894,621	14,202,680
Unrealized foreign exchange (gain) loss		**(21,972,092)**	(9,491,318)	11,095,968
Retirement benefits cost	*21*	**3,664,899**	3,142,494	3,176,687
Provision for (reversal of) impairment losses on receivables	*5, 17, 25*	**(211,593)**	(736,371)	693,795
Reversal of impairment on property and equipment	*10*	**(34,756,269)**	-	-
Interest income	*4, 9, 14*	**(9,823,215)**	(5,199,246)	(6,440,213)
Equity in net income of an associate	*8*	**(976,374)**	(1,587,026)	(1,531,113)
Operating income before working capital changes		**2,435,343**	90,087,921	73,251,514
Decrease (increase) in:				
Receivables		**41,102,351**	21,545,834	(40,585,088)
Due from related parties		**13,306,418**	4,677,188	(6,978,480)
Inventories		**(1,678,071)**	604,220	2,241,829
Prepaid expenses and other current assets		**(92,890,993)**	(10,341,338)	(939,697)
Other noncurrent assets		**6,415,621**	(2,050,573)	1,043,754
Increase (decrease) in:				
Accounts payable and accrued expenses		**1,629,754**	4,676,170	(33,957,069)
Refundable deposits		**99,736,489**	(753,169)	(536,540)
Due to related parties		**900,924**	4,150,521	5,964,457
Other current liabilities		**26,123,054**	14,442,817	(6,039,432)
Net cash generated from (used in) operations		**97,080,890**	127,039,591	(6,534,752)
Interest received		**9,823,215**	5,203,771	7,481,330
Income taxes paid		**(2,021,008)**	(1,162,457)	(2,099,250)
Retirement benefits paid	*21*	**(956,873)**	(3,181,692)	(2,457,573)
Net cash provided by (used in) operating activities		**103,926,224**	127,899,213	(3,610,245)

Forward

	Note	Years Ended December 31 2022	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	*10*	**(P5,725,350)**	(P9,327,668)	(P8,562,580)
Dividends received from an associate	*8*	**1,400,000**	1,400,000	1,200,000
Net cash used in investing activities		**(4,325,350)**	(7,927,668)	(7,362,580)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest payment of lease liability	*20*	**(13,560,167)**	(21,581,936)	(7,101,340)
Principal payment of lease liability	*20*	**(4,237,441)**	(5,737,392)	(1,174,548)
Net cash used in financing activities		**(17,797,608)**	(27,319,328)	(8,275,888)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**21,972,092**	9,491,318	(11,095,968)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**103,775,358**	102,143,535	(30,344,681)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*4*	**386,245,378**	284,101,843	314,446,524
CASH AND CASH EQUIVALENTS AT END OF YEAR	*4*	**P490,020,736**	P386,245,378	P284,101,843

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

Grand Plaza Hotel Corporation (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 9, 1989 primarily to own, lease or manage one or more hotels, inns or resorts, all adjuncts and accessories thereto, and all other tourist-oriented businesses as may be necessary in connection therewith. The Company is a public company under Section 17.2 of the Revised Securities Regulation Code and its shares are listed on the Philippine Stock Exchange (PSE). The immediate parent of the Company is The Philippine Fund Limited (TPFL) owning 54%, a corporation organized in the Islands of Bermuda. The ultimate parent of the Company is Hong Leong Investment Holdings Pte Ltd., a corporation organized in Singapore. The Company's intermediary parents are Hong Leong Limited, City Developments Limited and Millenium & Copthorne Hotels Limited.

The Company owns and operates The Heritage Hotel (the "Hotel"), its only operating segment, which is a deluxe class hotel that offers 450 rooms and facilities and amenities such as restaurants, function halls, and a coffee shop. The address of the Company's registered and principal office is the 10th Floor, The Heritage Hotel Manila, EDSA corner Roxas Boulevard, Pasay City.

2. Basis of Preparation

Statement of Compliance
The 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 which are issued by the Philippine Financial and Sustainability Reporting Standards Council (PFSRSC), consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

The financial statements were approved and authorized for issue by the Board of Directors (BOD) on April 5, 2023.

Basis of Measurement
The financial statements have been prepared on the historical cost basis of accounting except for retirement benefits liability which is the present value of the defined benefit obligation less fair value of assets, if any.

Functional and Presentation Currency
The Company's financial statements are presented in Philippine peso, which is also the Company's functional currency. All amounts have been rounded-off to the nearest peso, unless otherwise indicated.

Use of Estimates and Judgments

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

Judgments are made by management on the developments, selection and disclosure of the Company's critical accounting policies and estimates and the application of these policies and estimates.

The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Due to the current unforeseeable global consequences of the COVID-19 pandemic, these management's judgments and estimates are subject to increased uncertainty.

The following presents the summary of these judgments and estimates which have the most significant effect on the amounts recognized in the financial statements:

Determining whether an Agreement Contains a Lease

The Company uses its judgment in determining whether an arrangement contains a lease, based on the substance of the arrangement at inception date and makes assessment of whether the arrangement is dependent on the use of a specific asset or assets, the arrangement conveys a right to use the asset and the arrangement transfers substantially all the risks and rewards incidental to ownership to the Company.

Operating Lease

The Company has entered into various lease arrangements either as a lessor or as a lessee. In determining whether all significant risks and rewards of ownership remain with the lessor or transferred to the lessee, the following factors are considered:

a. the ownership of the asset does not transfer at the end of the lease term;

b. there is no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;

c. the lease term is not for the major part of the economic life of the asset even if title is not transferred;

d. at the inception of the lease, the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the leased asset; and

e. the leased assets are not of such a specialized nature that only the lessee can use them without major modifications.

Company as Lessor
The Company has entered into a lease of its commercial spaces. The Company has determined that it retains all significant risks and rewards of ownership of these spaces which are leased out under operating lease arrangements (see Note 20).

The Company has entered into a lease agreement for a period of five years commencing on August 2022. However, the right to use the asset is dependent on the ability of the prospective lessee to obtain a license to operate its intended business from the government. Since the prospective lessee does not have both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset as at December 31, 2022, the management assessed that the recognition of rent income using the straightline method is not yet applicable during the year ended December 31, 2022. Management estimates that the prospective lessee will be able to obtain its permit to operate in May 2023 based on communication with the latter. Accordingly, no rent income is recognized arising from the lease agreement in 2022 (see Note 19).

Company as Lessee
The Company has entered into a lease of land. All the significant risks and rewards of ownership of the leased land remain with the lessor, since the leased property, together with the buildings thereon, and all attached permanent fixtures will be returned to the lessor upon the termination of the lease (see Note 20).

Determining Term and Discount Rate of Lease Arrangement
Where the Company is the lessee, management is required to make judgments about whether an arrangement contains a lease, the lease term and the appropriate discount rate to calculate the present value of the lease payments.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases entered into by the Company as lessee, management uses the incremental borrowing rate, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company uses an approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company and makes adjustments specific to the lease.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if it is reasonably certain that the lease will be extended (or not terminated) and, as such, included within lease liabilities.

Estimating Allowance for Impairment Losses on Receivables
The Company uses the expected credit losses model in estimating the level of allowance which includes forecasts of future events and conditions. A credit loss is the difference between the cash flows that expected to be received discounted at the original effective interest rate. The model represents a probability-weighted estimate of the difference over the remaining life of the receivables. The maturity of the Company's receivables is less than one year so the lifetime expected credit losses and the 12-month expected credit losses is similar. In addition, management assessed the credit risk of the receivables as at the reporting date as low, therefore the Company did not have to assess whether a significant increase in credit risk has occurred.

The loss allowances for financial assets are based on assumptions about risk of default and expected credit loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Provision for impairment losses on receivables amounted to nil for the years ended December 31, 2022, 2021, respectively and P693,795 for the year ended December 31, 2020 (see Note 17). As at December 31, 2022 and 2021, allowance for expected credit losses on receivables amounted to P1,163,806 and P14,299,899, respectively (see Notes 5 and 25). The carrying of receivables - net amounted to P92,202,889 and P106,369,487 as at December 31, 2022 and 2021, respectively (see Notes 5 and 25).

Estimating 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 periodically 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, the estimation of the useful lives of property and equipment is based on collective assessment of 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 factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

As at December 31, 2022 and 2021, the carrying amount of property and equipment amounted to P550,334,183 and P550,463,200 respectively (see Note 10).

Estimating 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 also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact of deferred tax accordingly.

As of December 31, 2022 and 2021, the Company's unrecognized deferred tax assets amounted to P3,573,673 and P6,086,205, respectively. Management does not expect to have sufficient future taxable profit against which the Company can utilize the benefits therefrom. As at December 31, 2022 and 2021, recognized deferred tax assets amounted to P20,627,358 and P24,035,989, respectively (see Note 22).

Estimating Retirement Benefit Obligations
The determination of the retirement benefit obligation and retirement benefits cost is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates.

The Company's retirement benefits liability amounted to P27,430,178 and P33,482,499 as at December 31, 2022 and 2021, respectively. The retirement benefits cost recognized in profit or loss amounted to P3,664,899, P3,142,494, and P3,176,687 for the years ended December 31, 2022, 2021 and 2020, respectively. Cumulative actuarial gain amounted to P20,621,716, P11,861,369 and P11,474,607 as at December 31, 2022, 2021 and 2020, respectively (see Note 21).

Estimating Allowance for Impairment Losses on Nonfinancial Assets
The Company assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of such asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to the expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

If any indicator exists, the asset's recoverable amount is estimated. Determining the recoverable amount of the assets requires estimation of cash flows expected to be generated from continued use and ultimate disposal of such assets. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses would increase recorded operating expenses and decrease noncurrent assets.

The Company's property and equipment were considered at risk of impairment in 2021 and 2020 due to the Corona Virus Disease 2019 (COVID-19) pandemic. The fear of COVID-19 led to significant uncertainty and chaotic conditions in many industries. In the Philippines and in other countries, each government has implemented drastic measures including travel restrictions and home quarantine, to control the pandemic. Thus, COVID-19 pandemic has affected every sector across the globe, and the hotel industry to which the Company belongs is an economic sector which is among those most severely affected. However as discussed in Note 27, the Company was able to obtain contracts from several government agencies, thereby resulting to an increase in revenue despite the pandemic in 2021 and 2020 (see Note 27).

No impairment loss was recognized for the years ended December 31, 2022, 2021 and 2020 (see Note 10). The impairment loss recognized in prior years amounting to P34,756,269 was fully reversed during the year ended December 31, 2022 since management assessed that there has been a change in the estimates used to determine the recoverable amount and that the basis for impairment loss in prior years no longer exist.

Estimating Provisions and Contingencies
The Company is currently involved in tax case and assessment arising from the ordinary course of business. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsels handling the defense in these matters and is based upon an analysis of potential results. The Company's management and its legal counsel believe that the lawsuits and claims will not have material effect on the Company's financial position and performance. Accordingly, no provision for probable losses arising from legal contingencies was recognized in the financial statements as at December 31, 2022 and 2021 (see Note 26).

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all the years presented in these financial statements. There are no new standards, amendments to standards and interpretations effective starting January 1, 2022 that have a significant impact on the Company's financial statements except for the changes in accounting policies as explained below.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Company has adopted the following new standards, amendments to standards and interpretations starting January 1, 2022 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Company's financial statements.

Effective January 1, 2022

- *COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to PFRS 16 Leases).* The amendment extends the practical expedient introduced in the 2020 amendment which simplified how a lessee accounts for rent concessions that are a direct consequence of COVID-19, permitting lessees to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

  The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate. The adoption is mandatory for lessees that chose to apply the practical expedient introduced by the 2020 amendments and may result in reversal of lease modifications that was ineligible for the practical expedient under the 2020 amendments, but becomes eligible as a result of the extension.

- *Property, Plant and Equipment - Proceeds before Intended Use (Amendments to PAS 16 Property, Plant and Equipment).* The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2 *Inventories*.

  The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

  For the sale of items that are not part of a company's ordinary activities, the amendments require the Company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

  The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

- *Onerous Contracts - Cost of Fulfilling a Contract (Amendment to* PAS 37, *Provisions, Contingent Liabilities and Contingent Assets).* The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprises both incremental costs and an allocation of other direct costs.

  The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

- *Annual Improvements to PFRS Standards 2018-2020.* This cycle of improvements contains amendments to four standards:

  - *Subsidiary as a First-time Adopter (Amendment to PFRS 1 First-time Adoption of Philippine Financial Reporting Standards).* The amendment simplifies the application of PFRS 1 for a subsidiary that becomes a first-time adopter of PFRS later than its parent. The subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to PFRS.

  - *Fees in the '10 per cent'. Test for Derecognition of Financial Liabilities (Amendment to PFRS 9).* The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. It applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  - *Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16 Leases).* The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

  - *Taxation in Fair Value Measurements (Amendment to PAS 41 Agriculture).* The amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in PAS 41 with those in PFRS 13 Fair Value Measurement. It applies to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

- *Reference to the Conceptual Framework (Amendment to PFRS 3 Business Combinations).* The amendments:

  - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;

  - added a requirement that, for transactions and other events within the scope of PAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations occurring in reporting periods starting on or after January 1, 2022.

Standards Issued But Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2022. However, the Company has not early adopted the following new or amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's financial statements.

Effective January 1, 2023

- *Definition of Accounting Estimates (Amendments to PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors).* To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remain unchanged. The amendments also provide examples on the application of the new definition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- *Disclosure of Accounting Policies (Amendments to PAS 1, Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements).* The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

  - requiring companies to disclose their *material* accounting policies rather than their *significant* accounting policies;

  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

  The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures.

The amendments are effective from January 1, 2023. Earlier application is permitted.

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12 Income Taxes).* The amendments clarify that that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

Effective January 1, 2024

- *Lease Liability in a Sale and Leaseback (Amendments to PFRS 16 Leases).* The amendments confirm the following:

  - On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.

  - After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

  A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. For example, the seller-lessee could determine the lease payments to be deducted from the lease liability as expected lease payments or as equal periodic payments over the lease term, with the difference between those payments and amounts actually paid recognized in profit or loss.

  The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. Under PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of PFRS 16.

- *Classification of Liabilities as Current or Noncurrent - 2020 amendments and Non-Current Liabilities with Covenants - 2022 amendments (Amendments to PAS 1, Presentation of Financial Statements).* To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

  - clarified that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;

- provided additional disclosure requirements for non-current liabilities subject to conditions within twelve months after the reporting period to enable the assessment of the risk that the liability could become repayable within twelve months; and

- clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

The amendments will apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Entities that have early applied the 2020 amendments may retain application until the 2022 amendments are applied. Entities that will early apply the 2020 amendments after issue of the 2022 amendments must apply both amendments at the same time.

Financial Instruments
Non-derivative Financial Instruments. Non-derivative financial instruments consist of cash and cash equivalents, receivables, loan receivable, due from related parties, deposits (included under other current and noncurrent assets), accounts payable and accrued expenses, due to related parties, refundable deposits, and other current liabilities except for output VAT payable and other statutory payables.

Recognition and Initial Measurement. Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the intrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and Subsequent Measurement. On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) - debt investment; FVOCI - equity investment; or FVTPL.

The Company has no financial assets classified as measured at: FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Included in this category are the Company's cash and cash equivalents, receivables, loan receivable, due from related parties and deposits.

Cash includes cash on hand and in banks which are stated at face value. 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.

Business Model Assessment. The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

a. the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

b. how the performance of the portfolio is evaluated and reported to the Company's management;

c. the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

d. how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

e. the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial Liabilities

Classification, Subsequent Measurement and Gains and Losses. Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if its is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Included under other financial liabilities are the Company's accounts payable and accrued expenses, refundable deposits, due to related parties, lease liability - current portion and other current liabilities except for output VAT payable and other statutory payables.

Impairment of Financial Assets

The Company uses the expected credit losses ("ECL") model which is applied to all debt instruments measured at amortized cost or FVOCI as well as to issued loan commitments and most financial guarantee contracts. The ECL model is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses. Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or which have low credit risk at the reporting date. For these items, 12-month ECL are recognized. The 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but are not credit impaired. For these items, lifetime expected credit losses are recognized which are the weighted average credit losses with the probability of default as the weight. Stage 3 includes financial assets that are credit impaired at the reporting date. For these items, lifetime expected credit losses are recognized.

A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience, credit assessment and including forward-looking information.

The information analyzed by the Company includes the following, among others:

- actual and expected significant changes in the political, regulatory and technological environment of the debtor or in its business activities;

- payment record - this includes overdue status as well as a range of variables about payment ratios; and

- existing and forecast changes in the business, financial and economic conditions

The Company considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligation to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or

- the debtor is past due more than 90 days on any material credit obligation to the Company.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Receivables are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, the financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The impairment loss for the period shall be recognized in the statement of comprehensive income. 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. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive income, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

Offsetting of Financial Assets and Liabilities
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 recognized amounts and there is an intention 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 statements of financial position.

Derecognition of Financial Instruments
Financial Assets. A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized when:

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

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

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

Determination of Fair Values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and nonfinancial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes, when necessary. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The different levels of fair value of financial instruments carried at fair value, by valuation method 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); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Inventories

Inventories are measured at the lower of cost and net realizable value (NRV). Cost is determined using the first-in, first-out (FIFO) principle, and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. NRV is the estimated selling price in the ordinary course of business, less the estimated selling expenses. Obsolete inventories are disposed of and related costs are recognized in profit or loss.

Investment in an Associate

An associate is an entity in which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control or joint control over those policies.

The Company's investment in an associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize the changes in the Company's share in the net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Company discontinues applying the equity method when its investment in the investee company is reduced to zero. Accordingly, additional losses are not recognized unless the Company has guaranteed certain obligations of the investee company. When the investee company subsequently reports net income, the Company will resume applying the equity method but only after its share in net income equals the share in net losses not recognized during the period when the equity method was suspended.

Property and Equipment
Property and equipment are measured at cost less accumulated depreciation, and impairment losses, if any.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to its working condition. Subsequent expenditures are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Company. The costs of day-to-day servicing an asset are recognized in profit or loss in the period in which they are incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of property and equipment. Leasehold improvements are amortized over the estimated useful lives or the term of the lease, whichever is shorter.
The estimated useful lives are as follows:

	Number of Years
Building and building improvements	46 - 50
Right-of-use asset	21
Furniture, fixtures and equipment	5 - 10
Transportation equipment	5
Leasehold improvements	5 or term of the lease, whichever is shorter

Estimated useful lives and depreciation methods are reviewed at each reporting date to ensure that they are consistent with the expected pattern of economic benefits from these 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, amortization 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.

Impairment of Nonfinancial Assets
The carrying amounts of the Company's nonfinancial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value-in-use and its fair value less costs of disposal. Value-in-use is the present value of the future cash flows expected to be derived from an asset or CGU, while fair value less costs of disposal is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable and 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets or CGUs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. 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 asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Capital Stock

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

Additional paid-in capital includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefit.

Treasury Stock

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own 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 presented in additional paid-in capital.

Retained Earnings

The amount included in retained earnings includes earnings attributable to the Company's equity holders and reduced by dividends, if any, on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are declared by the Company's stockholders. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the financial reporting date.

Retained earnings may also include prior year adjustments and the effect of changes in accounting policies as may be required by the standards' transitional provisions.

Revenue

Revenue from Contracts with Customers

The Company's business is primarily engaged in offering hotel rooms and facilities such as restaurants, function halls, coffee shops and all adjuncts and accessories, thereto.

The Company recognizes revenue when it transfers control over a product or service to a customer. Revenue is measured based on the consideration specified in a contract with a customer.

The following is a description of principal activities from which the Company generates its revenue. Revenue is disaggregated by major products/service lines as reflected in the statements of profit or loss.

Hotel Rooms and Function Halls

Revenue from hotel rooms and function halls is recognized at the point in time when control of the service is transferred to a customer, generally on actual occupancy. The normal credit terms for lease of hotel rooms and function halls is 30 days, when payment is made on credit.

Food and Beverage
Revenue from food and beverage is recognized at the point in time when the goods have been delivered.

Other Operating Departments
Revenue from other operating departments is recognized at the point in time when the service has been rendered. This pertains to the revenue from telephone use, internet and laundry services.

Other Revenues
Other revenues are recognized at the point in time when the service has been rendered.

Other Income
Interest income which is presented net of tax, is recognized when earned.

Costs and Expenses
Costs and expenses are recognized when incurred.

Foreign Currency Transactions
Transactions in foreign currencies are translated to Philippine peso based on the prevailing exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated using the exchange rates prevailing at the reporting date. The resulting foreign exchange gains or losses are recognized in profit or loss.

Operating Segment
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 Chief Financial Officer, who is the Company's chief operating decision maker. The Company assessed that its hotel business represents its only operating segment.

Leases
At inception of a contract, the Company assesses whether a contract is, or contains. a lease. A contract is. or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a Lessor
Leases where the Company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

As a Lessee
At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term Leases and Leases of Low-value Assets
The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Taxes
Income tax expense is composed of current and deferred taxes. Income tax expense is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case it is recognized in equity or other comprehensive income.

Current Tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at reporting date.

The Compamy has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets.*

Deferred Tax
Deferred tax assets and liabilities are 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, and the carryforward tax benefits of unused net operating loss carryover (NOLCO) and unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT). Deferred 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 from the initial recognition of goodwill.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the carryforward tax benefits of unused NOLCO and unused tax credits from excess MCIT can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recognized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and the deferred taxes relate to the same tax authority on the same taxable entity.

Value-added Tax (VAT). Revenue, expenses and assets are recognized net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services are not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with amount of VAT included.

The input and output VAT are presented at gross and included under prepaid expenses and other current assets and other current liabilities, respectively, in the statements of financial position.

Earnings Per Share

The Company presents basic and diluted earnings per share (EPS) for its common shares. Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding during the year, after giving retroactive effect to any stock dividends declared during the year, if any. Diluted EPS is determined by adjusting the net income for the effects of all dilutive potential shares.

Related Parties

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

Employee Benefits

Retirement Costs

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 obligations is performed on a periodic basis by a qualified actuary appointed by the Company 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. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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 other comprehensive income. 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 liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans 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.

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Provisions
Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingencies
Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date
Any event after the reporting date that provide additional information about the Company's financial position at the reporting date (adjusting event) is recognized in the financial statements when material. Any event after the reporting date that is not an adjusting event is disclosed in the notes to the financial statements when material.

4. Cash and Cash Equivalents

This account consists of:

	Note	**2022**	2021
Cash on hand and in banks		**P169,762,493**	P183,284,150
Short-term investments		**320,258,243**	202,961,228
	25	**P490,020,736**	P386,245,378

Cash in banks earns annual interest at the prevailing bank deposit rates. Short-term investments consist mainly of time deposits which earn annual interest ranging from 0.05% to 4.33%, 0.05% to 0.10% and 0.05% to 1.79% in 2022, 2021 and 2020, respectively. Interest income earned from this account amounted to P5,148,215, P524,246 and P1,765,213 for the years ended December 31, 2022, 2021 and 2020, respectively.

5. **Receivables** - net

This account consists of:

	Note	**2022**	2021
Trade:			
Charge customers	*25*	**P19,746,799**	P2,421,639
Others		**43,586,308**	76,055,597
		63,333,107	78,477,236
Utility charges		**22,393,678**	33,442,882
Advances to employees		**2,214,894**	1,521,486
Interest		**851,384**	29,747
Others		**4,573,632**	7,198,035
		93,366,695	120,669,386
Less allowance for impairment losses on trade receivables	*25*	**(1,163,806)**	(14,299,899)
	25	**P92,202,889**	P106,369,487

Trade receivables are non-interest bearing and are generally on a 15 to 30-day credit term.

Trade - Charge customers include receivables from airlines, travel agencies and embassies.

Trade - Others include receivables from Philippine Amusement and Gaming Corporation (PAGCOR) and Overseas Workers Welfare Administration (OWWA). Receivables from PAGCOR amounting to P23,591,640, in 2022 and 2021 which mainly consist of unpaid billings from the contract with PAGCOR which was terminated in July 2013. The collection of the remaining receivables from PAGCOR is subject to the ongoing reconciliation of records between the Company and PAGCOR who have not yet reached an agreement as to the net amount of settlement due to each party.

The movements in the allowance for impairment losses in respect of trade receivables during the year are as follows:

	Note	**Amount**
Balance at January 1, 2021		P14,299,899
Provision in 2021	*17*	-
Balance at December 31, 2021	*5*	14,299,899
Reversal and write-off in 2022		(13,136,093)
Balance at December 31, 2022	*5*	**P1,163,806**

The Company's exposure to credit risks related to trade receivables is disclosed in Note 25.

6. Inventories

Inventories carried at cost consists of:

	2022	2021
Engineering supplies	**P3,414,618**	P2,224,972
Food	**1,485,318**	910,978
General supplies	**1,041,602**	1,154,151
Beverage and tobacco	**178,834**	116,839
Others	**218,739**	254,097
	P6,339,111	P4,661,037

There was no write down of inventories to NRV in each of the three years in the period ended December 31, 2022. Cost of goods sold recognized in profit or loss amounted to P40,372,073 and P30,730,623 in 2022 and 2021, respectively (see Note 16).

7. Prepaid Expenses and Other Current Assets

This account consists of:

	2022	2021
Prepaid expenses	**P33,672,435**	P3,381,674
Creditable withholding VAT	**31,348,151**	10,333,218
Utilities deposit	**16,070,885**	203,573
Prepaid income tax	-	16,145,655
Input VAT	-	7,902,404
Others	**1,069,791**	-
	P82,161,262	P37,966,524

Input VAT is current and can be applied against Output VAT payable.

Creditable withholding VAT represents the five percent (5%) taxes withheld from its collections from OWWA.

Prepaid expenses consist of insurance premiums, maintenance and dues and subscriptions.

8. Investment in an Associate

This account pertains to the 40% ownership in Harbour Land Corporation (HLC), which was incorporated and registered with the Philippine SEC and is engaged in the real estate business (see Note 14). HLC's registered office is located at the 10th Floor, The Heritage Hotel Manila, EDSA corner Roxas Boulevard, Pasay City.

This account consists of:

	2022	2021
Acquisition cost	**P48,200,000**	P48,200,000
Accumulated share in net earnings:		
Balance at beginning of year	**2,198,850**	2,011,824
Equity in net income	**976,374**	1,587,026
Dividends received	**(1,400,000)**	(1,400,000)
Balance at end of year	**1,775,224**	2,198,850
	P49,975,224	P50,398,850

A summary of the information of HLC as follows:

	2022	2021
Current assets	**P34,430,730**	P33,460,200
Noncurrent assets	**121,830,382**	121,830,382
Current liabilities	**(7,352,723)**	(5,293,458)
Noncurrent liability	**(78,000,000)**	(78,000,000)
Net assets (100%) - net	**70,908,389**	71,997,124
Add: Subscription receivable	**54,000,000**	54,000,000
	P124,908,389	P125,997,124
Company's share of net assets (40%)	**P49,963,356**	P50,398,850
Revenue	**P17,797,608**	P17,797,608
Net income/total comprehensive income (100%)	**P2,440,936**	P3,967,566
Company's share in net income/total comprehensive income (40%)	**P976,374**	P1,587,026

9. Loan Receivable

This pertains to the loan granted to Rogo Realty Corporation (RRC), a company under common control, collateralized by RRC's investment in shares of stock of HLC with a carrying value of P72,300,000 as at December 31, 2022 and 2021 and is collectable on demand with interest rate of 5% per annum (see Note 14).

Interest income earned in 2022, 2021 and 2020 amounted to P775,000 for each year.

10. Property and Equipment - net

The movements and balances in this account are as follows:

	Building and Building Improvements	Furniture Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Right-of-Use Asset (Note 20)	Total
Cost						
Balance, January 1, 2021	P1,032,936,673	P398,279,892	P7,438,511	P385,157	P178,571,220	P1,617,611,453
Additions	7,392,023	1,935,645	-	-	-	9,327,668
Balance, December 31, 2021	1,040,328,696	400,215,537	7,438,511	385,157	178,571,220	1,626,939,121
Additions	4,205,884	1,519,465	-	-	-	5,725,349
Balance, December 31, 2022	**1,044,534,580**	**401,735,002**	**7,438,511**	**385,157**	**178,571,220**	**1,632,664,470**
Accumulated Depreciation						
Balance, January 1, 2021	594,712,168	380,515,710	6,066,798	385,157	17,074,538	998,754,371
Depreciation during the year	27,063,123	6,708,827	656,062	-	8,537,269	42,965,281
Balance, December 31, 2021	621,775,291	387,224,537	6,722,860	385,157	25,611,807	1,041,719,852
Depreciation during the year	27,378,457	4,146,225	548,684	-	8,537,269	40,610,635
Balance, December 31, 2022	**649,153,748**	**391,370,762**	**7,271,544**	**385,157**	**34,149,076**	**1,082,330,287**
Impairment Loss						
Balance, December 31, 2021	32,956,783	1,703,373	96,113	-	-	34,756,269
Reversals	(32,956,783)	(1,703,373)	(96,113)	-	-	(34,756,269)
Balance, December 31, 2022	-	-	-	-	-	-
Carrying Amount						
December 31, 2021	P385,596,822	P11,287,627	P619,538	P -	P152,959,413	P550,463,200
December 31, 2022	**P395,380,832**	**P10,364,240**	**P166,967**	**P -**	**P144,422,144**	**P550,334,183**

The Company has obtained the services of an independent appraiser to determine the fair value of its property and equipment which primarily consists of hotel assets.

Valuation Techniques and Significant Unobservable Inputs
The fair value of property and equipment was arrived at using the Income Approach. The aforementioned approach is a method used to derive a value indication for an income producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished by discounted cash flow analysis. The Discounted Cash Flow Analysis involves the projection of a series of periodic cash flows to a business. Periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings. The series of net incomes, along with an estimate of reversion/terminal value, anticipated at the end of the projection period, is then discounted. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used (see Note 3).

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent the independent appraiser's assessment of future trends in the relevant industry.

Gross Revenue. Gross revenues of the Company over the next ten (10) years are projected to grow in line with the economy. This assumes that the market share of the Company will be flat on the assumption that it will also grow at par with the economy.

Operating Expenses. Operating expenses are projected to increase at a single-digit growth rate and at a slower pace than revenue.

Discount Rate. The Company uses the weighted-average cost of capital as the discount rate. In determining the appropriate discount rate, regard has been given to various market information, including but not limited to, 10-year government bond yield, bank lending rates, market premium. The discount rate used is 12% in 2022 and 2021.

Terminal Growth Rate. The long-term rate used to extrapolate the cash flow projections of the property and equipment beyond the period covered by the cash flow excludes capital acquisitions and expansions in the future. The terminal growth rate used is 2% in 2022 and 2021.

Terminal Value Rate. The Company used 10% terminal rate to estimate the value of the asset at the end of the explicit projection period in 2022 and 2021.

No impairment loss was recognized in 2022, 2021 and 2020. Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change for the estimated recoverable amount to be equal to the carrying amount.

	Change Required for Carrying Amount to Equal Recoverable Amount in 2022
Discount rate	**7.8%**
Terminal value rate	**7.9%**

	Change Required for Carrying Amount to Equal Recoverable Amount in 2021
Discount rate	5.4%
Terminal value rate	4.3%

The impairment loss recognized in prior years amounting to P34,756,269 was fully reversed during the year ended December 31, 2022 since management assessed that there has been a change in the estimates used to determine the recoverable amount and that the basis for impairment loss in prior years no longer exist. The reversal of impairment loss is recorded as part of "Administrative expenses" (see Note 17).

11. Other Noncurrent Assets

This account consists of:

	Note	**2022**	2021
Lease deposit	*14, 20, 25*	**P78,000,000**	P78,000,000
Miscellaneous deposits		**8,008,989**	8,582,719
Advances to suppliers		-	6,415,621
Others		**1,010,000**	1,010,000
		P87,018,989	P94,008,340

Miscellaneous deposits consist of utility and rent deposits.

12. Accounts Payable and Accrued Expenses

This account consists of:

	Note	2022	2021
Trade		**P46,700,958**	P39,158,767
Accrued other liabilities		**9,607,109**	12,600,297
Accrued payroll		**4,702,322**	6,242,206
Accrued utilities		**2,214,505**	3,593,872
	25	**P63,224,894**	P61,595,142

Trade payables have normal terms of 30 to 45 days.

Accrued other liabilities consists of dues and subscriptions, credit card commission, insurance, maintenance, professional fee, commissions and other accrued expenses.

The Company's exposure to liquidity risk related to trade and other payables is discussed in Note 25.

13. Other Current Liabilities

This account consists of:

	Note	2022	2021
Output VAT payable		**P22,664,974**	P18,856,277
Deposits for utilities		**18,108,648**	5,184,148
Payable to government agencies		**4,294,251**	3,071,981
Customer credit balance		**3,939,174**	274,938
Payable to employees		**3,076,182**	3,442,663
Rewards redemption payable		**367,954**	136,189
Others		**5,106,310**	468,243
	25	**P57,557,493**	P31,434,439

The customer credit balance refers to the guest's advance payment as well as any overpayment intended for future transaction application.

Others are payable to hotel car and other concessionaires for their services to hotel guests, as well as unidentified direct deposits.

14. Related Party Transactions

In the normal course of business, the Company has transactions with its related parties. These transactions and account balances as at December 31 are as follows:

Category/Transaction	Year	Note	Amount of the Transaction	Outstanding Balance: Due from Related Parties	Outstanding Balance: Due to Related Parties	Terms	Conditions
Associate							
• Lease deposit	**2022**	*11, 20*	P -	**P78,000,000**	P -	Required lease deposit on the leased land	Collectable upon termination of the contract
	2021		-	78,000,000	-		
	2020		-	78,000,000	-		
• Interest income	**2022**	*14b, 20*	**3,900,000**	**1,950,000**	-	5% per annum of the lease deposit	Unsecured; no impairment
	2021		3,900,000	1,950,000	-		
	2020		3,900,000	-	-		
• Rent expense	**2022**	*17, 20*	-	-	-	Due and demandable; non interest bearing	Unsecured
	2021		-	-	-		
	2020		-	-	-		
• Rent income	**2022**	*14e*	**180,000**	-	-	Due and demandable; non interest bearing	Unsecured
	2021		180,000	-	-		
	2020		180,000	-	-		
Under Common Control							
• Management and incentive fees	**2022**	*14d, 17*	**10,613,328**	-	**44,838,608**	Due and demandable; non interest bearing	Unsecured
	2021		19,178,154	-	45,316,898		
	2020		17,472,942	-	40,488,334		
• Advances	**2022**	*14a*	**5,702,893**	**8,769,674**	**2,347,564**	Due and demandable; non interest bearing	Unsecured; no impairment
	2021		1,839,438	104,000	968,350		
	2020		7,145,268	7,054,105	1,646,393		
• Loan	**2022**	*9, 14c*	-	**15,500,000**	-	Due and demandable; interest bearing	Unsecured; no impairment
	2021		-	15,500,000	-		
	2020		-	15,500,000	-		
• Interest income	**2022**	*9, 14c*	**775,000**	**322,917**	-	5% per annum of the loan receivable	Unsecured; no impairment
	2021		775,000	322,917	-		
	2020		775,000	-	-		
• Rent income	**2022**	*14e*	**420,000**	-	-	Due and demandable; non interest bearing	Unsecured
	2021		420,000	-	-		
	2020		420,000	-	-		
Key Management Personnel of the Entity							
• Short term employee benefits	**2022**	*14f*	**17,782,052**	-	-		
	2021		14,423,744	-	-		
	2020		15,658,438	-	-		
TOTAL	**2022**			**P104,542,591**	**P47,186,172**		
TOTAL	2021			P95,876,917	P46,285,248		
TOTAL	2020			P100,554,105	P42,134,727		

Due from related parties is included in the following accounts:

	Note	2022	2021
Loan receivable	*9*	**P15,500,000**	P15,500,000
Due from related parties		**11,042,591**	2,376,917
Other noncurrent assets	*11, 20*	**78,000,000**	78,000,000
		P104,542,591	P95,876,917

a. The Company grants/obtains advances to/from related parties for working capital purposes. These advances are non-interest bearing, unsecured and receivable/payable on demand.

b. The interest receivable from HLC, an associate, represents the uncollected interest on the lease deposit of the Company to HLC at 5% a year (see Note 20). The related interest income amounted to P3,900,000 annually for each three-year period ended December 31, 2022.

c. The interest receivable from RRC, an entity under common control, represents the uncollected interest on the loan granted by the Company to RRC at 5% per annum (see Note 9). The related interest income amounted to P775,000 annually for the three-year period ended December 31, 2022.

d. The Company has a Management Agreement with Elite Hotel Management Services Pte. Ltd - Philippine Company (Elite), an entity under common control, under which the latter provides management, technical and administrative services. In return, the Company pays monthly basic management and incentive fees based on a percentage of the hotel's revenue (2%) and gross operating profit (7%), respectively, starting April 2011. The agreement was last renewed from January 1, 2022 and is effective until December 31, 2026.

e. The rent income from HLC, RRC and Elite represents the sub-leased portion of an office space consisting of 30 square meters, 25 square meters and 65 square meters, respectively, located at the Hotel. The lease covers a period of 2.5 years until December 31, 2016, and was renewed for another three (3) years until December 31, 2019. The contract was further renewed for another one (1) year from January 1 until December 31, 2022. The Company leases the land occupied by the Hotel from HLC (see Note 20).

f. Transactions with Key Management Personnel

The total remuneration of key management personnel in the form of short-term employee benefits is shown below:

	2022	2021	2020
Executive officers	**P12,076,725**	P8,500,527	P14,399,659
Directors of hotel operations	**5,705,327**	5,923,217	1,258,779
	P17,782,052	P14,423,744	P15,658,438

The compensation and benefits of one of key management personnel are paid by Millennium & Corpthorne Hotels (M&C), the Parent Company's intermediary parent.

The Company does not provide post-employment and equity-based compensation benefits to its BOD and expatriates.

Due from and to related parties are normally settled in cash. As at December 31, 2022 and 2021, the Company determined that due from related parties are fully recoverable, hence, no impairment loss has been recognized.

15. Payroll and Employee Benefits

This account consists of:

	2022	2021	2020
Food and beverage	**P21,443,678**	P12,223,772	P14,069,796
Rooms	**19,257,839**	16,564,250	19,971,028
Hotel overhead departments:			
Administrative and general	**27,814,008**	26,204,622	27,724,771
Engineering	**10,128,056**	8,396,327	7,676,356
Sales and marketing	**7,953,833**	8,555,634	7,842,800
Human resources	**2,921,264**	2,631,945	2,548,832
Other operating departments	**410,670**	216,528	443,650
	P89,929,348	P74,793,078	P80,277,233

Payroll and employees benefits charged in the statements of profit or loss were allocated as follows:

	Note	**2022**	2021	2020
Cost of sales and services	*16*	**P41,112,187**	P29,004,550	P34,484,474
Administrative expenses	*17*	**48,817,160**	45,788,528	45,792,759
		P89,929,347	P74,793,078	P80,277,233

Payroll and employee benefits charged to cost of sales and services are recorded under "Rooms", "Food and Beverage" and "Other Operating Departments"

16. Cost of Sales and Services

This account consists of:

	Note	**2022**	2021	2020
Payroll and employee benefits	*15*	**P41,112,187**	P29,004,550	P34,484,474
Food and beverage	6	**28,334,689**	17,729,947	20,730,014
Commission		**6,275,857**	43,445	2,777,322
Guest supplies	6	**5,947,072**	5,292,779	5,716,667
Permits and licenses		**3,108,963**	3,180,905	2,967,672
Online selling and marketing tools		**2,754,269**	731,238	963,486
Operating supplies	6	**2,571,770**	5,224,133	3,878,999
Cleaning supplies	*6*	**1,770,282**	1,360,627	2,807,744
Kitchen fuel	*6*	**1,748,260**	1,123,137	1,149,273
Housekeeping expenses		**1,502,801**	610,718	608,099
Transport charges		**1,428,463**	318,784	882,747
Printing and stationery		**1,058,003**	792,555	1,008,165
Other operating departments		**675,754**	622,402	473,421
Laundy and dry cleaning		**576,544**	682,357	763,404
Music and entertainment		**277,299**	4,902	292,499
Miscellaneous		**3,984,078**	3,942,298	3,892,996
		P103,126,291	P70,664,777	P83,396,982

17. Administrative Expenses

This account consists of:

	Note	2022	2021	2020
Hotel Overhead Departments				
Payroll and employee benefits	15	**P48,817,160**	P45,788,528	P45,792,759
Management and incentives fees	14	**10,613,328**	19,178,154	17,472,942
Data processing		**3,014,579**	3,166,544	2,767,444
Credit card and commission		**2,995,780**	460,427	2,531,002
Advertising		**2,978,226**	501,934	1,228,204
Telecommunications		**2,853,884**	3,544,414	3,120,347
Dues and subscription		**1,387,108**	383,826	818,000
Awards and social activities		**1,007,481**	1,016,870	234,968
Entertainment		**508,077**	448,584	133,735
Miscellaneous		**2,351,010**	3,164,113	2,186,413
		76,526,633	77,653,394	76,285,814
Corporate Office				
Depreciation	10	**40,610,635**	42,965,281	43,283,263
Reversal of Impairment loss on property and equipment	10	**(34,756,269)**	-	-
Property tax		**9,265,202**	9,265,751	9,265,841
Insurance		**9,388,914**	9,145,748	8,832,798
Commission expense		**7,557,268**	-	-
Professional fees		**5,115,374**	7,087,706	5,716,830
Corporate office payroll and related expense		**1,941,272**	1,685,095	1,960,081
Director's fees/allowances		**799,600**	799,600	826,133
Office supplies		**547,910**	871,498	2,143,146
Taxes and licenses		**93,760**	192,637	118,996
Transportation and travel		**7,313**	31,116	51,343
Provision for impairment losses on receivables	25	**-**	-	693,795
Miscellaneous		**2,492,821**	1,329,142	5,602,343
		43,063,800	73,373,574	78,494,569
Power light and and water		**68,556,846**	56,126,157	54,660,961
Property operations and maintenance		**11,421,491**	12,298,962	10,059,401
		P199,568,770	P219,452,087	P219,500,745

The commission expense relates to the 1 month rental equivalent paid to Star Fuzion Management Corporation as a commission for their effort to secure the prospective lessee, Goldwinnphil Inc.

18. Earnings Per Share

Basic and diluted earnings per share is computed as follows:

	Note	**2022**	2021	2020
Weighted average number of common shares: Balance at beginning and end of year	*24*	**P53,717,369**	P53,717,369	P53,717,369

	Note	**2022**	2021	2020
Net income for the year		**P5,998,222**	P33,669,054	P12,065,708
Divided by weighted average number of outstanding shares	*24*	**53,717,369**	53,717,369	53,717,369
		P0.11	P0.63	P0.22

There are no potential dilutive common shares in the years presented.

19. Refundable Deposits

This account consists of:

	Note	**2022**	2021
PAGCOR	*5, 25*	**P25,349,438**	P25,349,438
Goldwinnphil Inc.		**98,998,980**	-
Others		**2,522,124**	1,784,614
		126,870,542	27,134,052
Less: Current portion		**126,402,542**	26,666,052
		P468,000	P468,000

The refundable deposit pertains to the deposit paid by the lessee to the Company as required in the lease agreement.

The refundable deposit from PAGCOR is not yet returned to PAGCOR due to the pending reconciliation of account between both parties (see Note 5).

On 23 August 2022, the Company entered into a lease contract with Goldwinnphil Inc. ("prospective lessee") to operate a casino in the Hotel. The total floor area is about 5,500 sqm and it is for an initial 5 years commencing on August 23, 2022 until August 23, 2027 with option to renew. Based on the agreement, prospective lessee has to pay certain security and utilities deposits amounting to P88,998,980. In addition, prospective lessee has to obtain and secure all required permits and licenses, particularly the License to Operate from the PAGCOR, for its operation in the leased premises prior to lessee starting its commercial operation. In the event that lessee is not able to secure the required permits and licenses, it will be a ground for termination of the lease agreement and forfeiture of utilities and renovation deposits. Management expects that the prospective tenant will be able to obtain its license to operate by second quarter of 2023 based on communication with the latter.

20. Leases

Company as Lessor

The Company leases certain portions of the Hotel premises to third parties with options for extension/renewal upon mutual agreement of the parties. The leases include provisions for rental increment of 5% upon renewal of the contracts subject to renegotiations of both parties.

The lease agreements with the third parties required the latter to give the Company lease deposits which amounted to a total of P126,870,542 and P27,134,052 as at December 31, 2022 and 2021, respectively, and are shown as "Refundable deposits" in the statements of financial position (see Note 19). Rent income amounted to P6,125,329, P2,321,841, and P4,971,881 in 2022, 2021 and 2020 respectively, and is included in "Others" under Revenue in the statements of profit or loss.

On February 15, 2012, the BOD of PAGCOR decided not to renew the contract of lease which ended on July 10, 2013. Refundable deposit from PAGCOR amounting to P25,349,438 is not yet returned to the latter due to the pending reconciliation of account between both parties. The Company and PAGCOR have not yet reached an agreement as to the net amount of settlement due to each party (see Note 5).

In 2022 and 2021, the Company has sub-leased portion of an office space consisting of 30 square meters, 25 square meters and 65 square meters, respectively, located at the Hotel to HLC, RRC and Elite (Note 14).

Contractual cashflows are as follows:

	2022	2021
Due within one year	**P600,000**	P600,000

Company as Lessee

The Company leases the land occupied by the Hotel from HLC, its associate, for a period of 25 years up to January 1, 2015. On August 1, 2004, the Company, as lessee, and HLC, as lessor, agreed to amend the Contract of Lease with Option to Purchase executed by the parties on November 12, 1991 covering the lease of the land. The amended contract provides for the following:

a. Annual rental on the land of P10,678,560;

b. Required lease deposit (shown as part of "Other noncurrent assets" in the statements of financial position) of P78,000,000; and

c. Interest rate of 5% or P3,900,000 per annum on the lease deposit which the lessor is obligated to pay to the Company.

On August 11, 2014, the Company and HLC agreed to amend the original contract to increase the yearly rent from P10,678,560 to P17,797,608 and to renew the original lease for a further term of twenty-five (25) years.

The movements of lease liability follow:

	2022	2021
Beginning balance	**P167,762,117**	P181,186,824
Interest expense during the year	**13,560,167**	13,894,621
Payments made	**(17,797,608)**	(27,319,328)
Ending balance	**P163,524,676**	P167,762,117

Payments made include as follows:

	2022	2021
Interest payment	**P13,560,167**	P21,581,936
Principal payment	**4,237,441**	5,737,392
	P17,797,608	P27,319,328

Lease liability included in the statements of financial position is as follows:

	2022	2021
Current	**P4,600,559**	P4,237,441
Non-current	**158,924,117**	163,524,676
	P163,524,676	P167,762,117

Contractual cashflows are as follows:

Lease Liability under PFRS 16	2022	2021
Due within one year	**P17,797,608**	P17,797,608
After one year but not more than five years	**71,190,432**	71,190,432
More than five years	**231,368,904**	231,368,904
	P320,356,944	P320,356,944

21. Retirement Cost

The Company has an unfunded, noncontributory, defined benefit retirement plan covering substantially all of its employees, except for its BOD and expatriates (see Note 14). It provides a retirement benefit equal to eighty-six (86%) of monthly salary per year of services payable to an employee who retires at age of 60 with at least 5 years in service. Annual cost is determined using the projected unit credit method. The Company's latest valuation date is December 31, 2022.

The recognized liability representing the present value of the defined benefit obligation presented as "Retirement benefits liability" in the Company's statements of financial position amounted to P27,430,178 and P33,482,499 as at December 31, 2022 and 2021, respectively.

The movements in the present value of the defined benefit obligation are as follows:

	2022	2021
Balance at January 1	**P33,482,499**	P33,908,459
Included in Profit or Loss		
Current service cost	**2,024,257**	1,955,698
Interest cost	**1,640,642**	1,186,796
	3,664,899	3,142,494
Included in Other Comprehensive Income (OCI)		
Remeasurement loss (gain):		
Actuarial loss (gain) arising from:		
Financial assumptions	**(3,969,844)**	(3,731,496)
Experience adjustment	**(4,790,503)**	3,344,734
	(8,760,347)	(386,762)
Others		
Benefits paid	**(956,873)**	(3,181,692)
Balance at December 31	**P27,430,178**	P33,482,499

The amounts of retirement benefits cost which are included in "Payroll and employee benefits" under Cost of Sales and Services in the statements of profit or loss for the years ended December 31 are as follows:

	2022	2021	2020
Current service cost	**P2,024,257**	P1,955,698	P1,699,590
Interest cost	**1,640,642**	1,186,796	1,477,097
Retirement benefits cost	**3,664,899**	P3,142,494	P3,176,687

The actuarial gain (loss), before deferred income taxes, recognized under "Other comprehensive income" in the statements of comprehensive income and statements of changes in equity are as follows:

	2022	2021	2020
Cumulative actuarial gain at the beginning of the year	**P11,861,369**	P11,474,607	P15,701,270
Actuarial gain (loss) arising from:			
Financial assumptions	**3,969,844**	3,731,496	(3,893,709)
Experience adjustment	**4,790,503**	(3,344,734)	(332,954)
Cumulative actuarial gain at the end of the year	**P20,621,716**	P11,861,369	P11,474,607

The net accumulated actuarial gain, net of deferred tax amounted to P8,760,347, P8,896,027 and P8,032,225 as at December 31, 2022, 2021 and 2020, respectively, as presented in the statements of changes in equity.

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2022	2021	2020
Discount rate	**7%**	5%	4%
Future salary increases	**2%**	2%	2%

Assumptions regarding future mortality have been based on published statistics and mortality rates of the 1985 Unisex Annuity table.

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:

2022	**Increase**	**Decrease**
Discount rate (1% movement)	**(P2,596,542)**	**P2,596,54**
Future salary increase rate (1% movement)	**2,596,542**	**(2,596,542)**

2021	Increase	Decrease
Discount rate (1% movement)	(P2,315,154)	P2,600,631
Future salary increase rate (1% movement)	2,448,544	(2,221,888)

Although the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

The defined benefit plan exposes the Company to actuarial risks, such as longevity risk and interest rate risk.

The weighted-average duration of the defined benefit obligation is ten (10) years as at December 31, 2021 and 2020.

The maturity analysis of the benefit payments is as follows:

			2022		
	Carrying Amount	**Contractual Cash Flows**	**1 - 5 Years**	**6 - 10 Years**	**More than 10 Years**
Retirement benefits liability	**P -**	**P83,375,205**	**P16,652,577**	**P26,254,403**	**P40,468,225**

			2021		
	Carrying Amount	Contractual Cash Flows	1 - 5 Years	6 - 10 Years	More than 10 Years
Retirement benefits liability	P33,482,499	P86,617,039	P15,941,958	P29,337,246	P41,337,835

The Company is not required to pre-fund the future defined benefits payable under the Retirement Fund before they become due. However, in the event a benefit claim arises, the Company will be liable to pay its employees.

22. Income Tax

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

	2022	2021	2020
Current tax expense	**P2,021,008**	P1,162,457	P2,099,250
Deferred tax expense (benefit):			
Reduction in tax rate	**-**	6,050,661	-
Origination and reversal of temporary differences	**4,319,955**	6,217,314	(5,394,511)
	P6,340,963	P13,430,432	(P3,295,261)

The reconciliation of the income tax expense (benefit) computed at statutory income tax rate to the income tax expense (benefit) shown in profit or loss is as follows:

	2022	2021	2020
Income before income tax	**P12,339,185**	P47,099,486	P8,770,447
Income tax expense (benefit) at statutory tax rate	**P3,084,796**	P11,774,872	P2,631,134
Additions to (reductions in) income tax resulting from the tax effects of:			
Unrecognized deferred tax assets on NOLCO and MCIT	**3,573,673**	(4,349,133)	(5,324,676)
Remeasurement of previously recorded DTA	**-**	6,470,685	(1,567,825)
Income subjected to final tax	**(73,412)**	(80,723)	(80,993)
Equity in net income of an associate	**(244,094)**	(396,757)	(459,334)
Non deductible expense	**-**	11,488	1,506,433
	P6,340,963	P13,430,432	(P3,295,261)

The components of the Company's deferred tax assets (liabilities) are as follows:

2022	**Net Balance at January 1**	**Recognized in Profit or Loss**	**Recognized in OCI**	**Net Balance December 31**	**Deferred Tax Assets**	**Deferred Tax Liabilities**
Retirement benefits liability	**P11,611,816**	**(P1,472,255)**	**P -**	**P10,139,561**	**P10,139,561**	**P -**
Allowance for impairment loss on property and equipment	**P8,689,067**	**(8,689,067)**	**-**	**-**	**-**	**-**
Allowance for impairment loss on receivables	**3,574,974**	**(52,898)**	**-**	**3,522,076**	**3,522,076**	**-**
Excess of ROU asset over lease liabilty	**2,532,961**	**2,242,673**	**-**	**4,775,634**	**4,775,634**	**-**
Unrealized foreign exchange gain	**(2,372,829)**	**(3,120,194)**	**-**	**(5,493,023)**	**-**	**(5,493,023)**
Remeasurement gain on retirement benefit liability	**(2,965,342)**	**-**	**5,155,429**	**2,190,087**	**2,190,087**	**-**
Net tax assets and liabilities	**P21,070,647**	**(P11,091,741)**	**P5,155,429**	**P15,134,335**	**P20,627,358**	**(P5,493,023)**

2021	Net Balance at January 1	Recognized in Profit or Loss	Recognized in OCI	Net Balance December 31	Deferred Tax Assets	Deferred Tax Liabilities
Retirement benefits liability	P13,614,922	(P2,003,106)	P -	P11,611,816	P11,611,816	P -
Allowance for impairment loss on property and equipment	10,426,880	(1,737,813)	-	P8,689,067	P8,689,067	-
Allowance for impairment loss on receivables	5,014,908	(1,439,934)	-	3,574,974	3,574,974	-
Excess of ROU asset over lease liabilty	3,918,463	(1,385,502)	-	2,532,961	2,532,961	-
Unrealized foreign exchange gain	3,328,791	(5,701,620)	-	(2,372,829)	-	(2,372,829)
Remeasurement gain on retirement benefit liability	(3,442,382)	-	477,040	(2,965,342)	-	(2,965,342)
Net tax assets and liabilities	P32,861,582	(P12,267,975)	P477,040	P21,070,647	P26,408,818	(P5,338,171)

The Company's temporary differences, the deferred tax assets of which have not been recognized, consist of:

	2022	2021
MCIT	**P3,573,673**	P6,086,205
NOLCO	**1,990,517**	-
	P5,564,190	P6,086,205

Realization of future tax benefit related to deferred tax assets is dependent on the Company's ability to generate future taxable income during the periods in which these are expected to be recovered. The Company has considered these factors in reaching a conclusion not to recognize deferred tax asset since it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

Details of the Company's NOLCO which are available for offset against future taxable income are as follows:

Year Incurred	Amount	Expired/ Applied	Balance	Expiry Date
2022	P1,990,517	P -	P1,990,517	December 31, 2025
2018	27,384,900	(27,384,900)	-	December 31, 2021
	P29,375,417	(P27,384,900)	P1,990,517	

The Company applied P22,046,363 NOLCO against its taxable income in 2021.

Details of the Company's excess MCIT over RCIT which are available for offset against future income tax liabilities are as follows:

Year Incurred	Amount	Expired	Unexpired	Expiry Date
2022	P2,021,008	P -	P2,021,008	December 31, 2025
2021	1,162,457	-	1,162,457	December 31, 2024
2020	2,099,250	-	2,099,250	December 31, 2023
2019	2,824,498	(2,824,498)	-	December 31, 2022
2018	2,073,471	(2,073,471)	-	December 31, 2021
	P10,180,684	(P4,897,969)	P5,282,715	

On March 26, 2021, the President of the Philippines has approved the Corporate Recovery and Tax Incentives for Enterprises or the CREATE Act, with nine (9) provisions vetoed by the President. Below are the salient features of the Act that are relevant to the Company:

a) Corporate Income Tax rate is reduced from thirty percent (30%) to twenty percent (20%) for domestic corporations with net taxable income not exceeding five million pesos (P5,000,000) and with total assets not exceeding one hundred million pesos (P100,000,000). All other domestic corporations and resident foreign corporations will be subject to twenty-five percent (25%) income tax. Said reductions are effective starting July 1, 2020.

b) MCIT rate is reduced from two percent (2%) to one percent (1%) effective July 1, 2020 to June 30, 2023.

On April 8, 2021, the BIR issued the following implementing revenue regulations (RR) that are effective immediately upon publication:

- BIR RR No. 2-2021, *Amending Certain Provisions of RR No. 2-98, As Amended, to Implement the Amendments Introduced by Republic Act (RA) No. 11534, or the CREATE to the National Internal Revenue Code (NIRC) of 1997, as Amended, Relative to the Final Tax on Certain Passive Income.*

- BIR RR No. 3-2021, *Rules and Regulations Implementing Section 3 RA No. 11534, Otherwise Known as CREATE, Amending Section 20 of the NIRC of 1997, As Amended.*

- BIR RR No. 4-2021, *Implementing the Provisions on VAT and Percentage Tax Under Republic Act (RA) No. 11534, Otherwise Known as the CREATE, Which Further Amended the NIRC of 1997, as Amended, as Implemented by RR No. 16-2005 (Consolidated VAT Regulations of 2005), As Amended.*

- BIR RR No. 5-2021, *Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to RA No. 11534 or the CREATE, Which Further Amended the NIRC of 1997.*

Further, the BIR has issued its RR No. 5-2021 to promulgate the implementation of the new income tax rates on the regular income of corporations, on certain passive incomes and additional allowable deductions of persons engaged in business or practice of profession as provided for in CREATE Act. The corporate income tax of the Company was lowered from thirty percent (30%) to twenty five percent (25%) for domestic corporations, on which the Company qualified, effective July 1, 2020.

The CREATE Act had been considered as substantively enacted as law as at March 31, 2021. Under paragraph 46 of PAS 12, *Income taxes,* it states that "an entity's current tax liabilities/assets for the current and prior periods shall be measured at the amount expected to be paid to/recovered from the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period".

The Company had applied and used the effective rate of the approved income tax rate under the CREATE Act in its computation of income taxes due and payable to the BIR as at December 31, 2021 using the 25% tax rate on normal income tax pursuant to RR No. 5-2021, considering that the CREATE Act had been substantively enacted as law as at March 31, 2021 and its retroactive application from July 1, 2020. This resulted to an adjustment recognized in 2021 for prior period deferred tax remeasurement amounting to an additional expense of P6,050,661 and benefit of P573,731 recognized in profit or loss and other comprehensive income, respectively.

23. Retained Earnings

Retained earnings are restricted from being declared and issued as dividend in relation to the treasury shares amounting to P1,680,020,370.

24. Share Capital

a. *Capital Stock*

	2022	2021
Authorized - 115,000,000 shares at 10 par value shares:		
Issued	**87,318,270**	87,318,270
Less treasury stock	**33,600,901**	33,600,901
Total issued and outstanding	**53,717,369**	53,717,369

b. *Treasury Stock*

As at December 31, 2022 and 2021, the Company's treasury stock consists of 33,600,901 shares of stock.

25. Financial Risk and Capital Management Objectives and Policies

The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

The main purpose of the Company's dealings in financial instruments is to fund its operations and capital expenditures.

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The BOD, through the Executive Committee, 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 Company's Audit Committee assists the BOD in fulfilling its oversight responsibility of the Company's corporate governance process relating to the: a) quality and integrity of the Company's financial statements and financial reporting process and the Company's systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the Company's financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance by the Company with legal and regulatory requirements, including the Company's disclosure control and procedures; e) evaluation of management's process to assess and manage the Company's enterprise risk issues; and f) fulfillment of the other responsibilities set out by the BOD. The Audit Committee also prepares the reports required to be included in the Company's annual report.

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 are 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 exposes the Company 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 management annually reviews the exposure limits and credit ratings of the counterparties.

Receivable balance is being monitored on a regular basis to ensure timely execution of necessary intervention efforts.

The carrying amount of financial assets as of December 31, 2022 and 2021 represents the maximum credit exposure. The maximum exposure to credit risk at the reporting dates is as follows:

	Note	**2022**	2021
Cash and cash equivalents*	*4*	**P488,182,306**	P381,954,140
Receivables - net**	*5, 14*	**92,174,642**	106,341,240
Lease deposit	*11*	**78,000,000**	78,000,000
Loan receivable	*14*	**15,500,000**	15,500,000
Due from related parties	*14*	**11,042,591**	2,376,917
		P684,899,539	P584,172,297

**Excluding cash on hand of P1,838,430 and P4,291,238 in 2022 and 2021, respectively.*
***Excluding deposits to suppliers of P28,247 in 2022 and 2021.*

Details of trade receivables as at December 31, 2022 and 2021 by type of customer are as follows:

	Note	2022	2021
Embassy and government		**P27,790,338**	P76,145,597
Airlines		**8,135,351**	702,424
Credit cards		**7,514,875**	450,812
Corporations		**1,460,727**	215,529
Travel agencies		**3,425,420**	97,883
Others		**15,006,396**	864,991
	5	**63,333,107**	78,477,236
Less allowance for impairment losses on trade receivables - charge customers		**1,163,806**	14,299,899
		P62,169,301	P64,177,337

Others include unallocated accounts pending classification to its proper type of customers as at December 31, 2022.

The movements in the allowance for impairment losses in respect of trade receivables during the year are as follows:

	Note	Amount
Balance at January 1, 2021		P14,299,899
Provision in 2021	17	-
Balance at December 31, 2021	5	14,299,899
Reversal and write-off in 2022		(13,136,093)
Balance at December 31, 2022	5	**P1,163,806**

The aging of trade receivables as at December 31, 2022 and 2021 is as follows:

	2022			2021		
	Gross Amount	Impairment	Carrying Value	Gross Amount	Impairment	Carrying Value
Current	P11,235,963	P -	P11,235,963	P16,331,739	P -	P16,331,739
Over 30 days	7,952,874	-	7,952,874	21,202,728	-	21,202,728
Over 60 days	8,093,767	-	8,093,767	22,608,144	-	22,608,144
Over 90 days	36,050,503	(1,163,806)	34,886,697	18,334,625	(14,299,899)	4,034,726
	P63,333,107	(P1,163,806)	P62,169,301	P78,477,236	(P14,299,899)	P64,177,337

As at December 31, 2022 and 2021, receivables from PAGCOR included under Embassy and government amounted to P25,349,438, which management assess, are still collectable. Thus, no allowance for impairment was provided. In addition, any amount outstanding from PAGCOR can be offset against the deposit received from it as discussed in Note 20.

The table below shows the credit quality of the Company's financial assets based on its historical experience with the corresponding debtors.

	As at December 31, 2022			
	Grade A	Grade B	Grade C	Total
Cash in banks and cash equivalents	P490,020,736	P -	P -	P490,020,736
Receivables	34,925,096	4,816,371	-	39,741,467
Loan receivable	15,500,000	-	-	15,500,000
Lease deposit	78,000,000	-	-	78,000,000
	P618,445,832	P4,816,371	P -	P623,262,203

	As at December 31, 2021			
	Grade A	Grade B	Grade C	Total
Cash in banks and cash equivalents	P381,954,140	P -	P -	P381,954,140
Receivables	6,974,370	651,000	113,044,016	120,669,386
Loan receivable	-	15,500,000	-	15,500,000
Lease deposit	78,000,000	-	-	78,000,000
	P466,928,510	P16,151,000	P113,044,016	P596,123,526

Cash in banks and cash equivalents are considered of good quality as these pertain to deposits in reputable banks. Lease deposit is also considered of good quality since this is transacted with counterparty that is capable of paying the lease deposit once due. Grade A receivables pertain to those receivables from customers that always pay on time or even before the maturity date. Grade B includes receivables that are collected on their due dates provided that they were reminded or followed up by the Company. Those receivables which are collected consistently beyond their due dates and require persistent effort from the Company are included under Grade C.

Estimating ECL
The table below presents the Company's exposure to credit risk and shows the credit quality of the financial assets as at December 31, 2022 and 2021. Assets that are credit-impaired are separately presented.

December 31, 2022	**Gross Amount**	**ECL**	**Carrying Amount**
Cash in banks and cash equivalents	**P490,020,736**	**P -**	**P490,020,736**
Receivables	**93,366,695**	**(1,163,806)**	**92,202,889**
Loan receivable	**15,500,000**	**-**	**15,500,000**
Lease deposit	**78,000,000**	**-**	**78,000,000**
	P676,887,431	**(P1,163,806)**	**P675,723,625**

December 31, 2021	Gross Amount	ECL	Carrying Amount
Cash in banks and cash equivalents	P381,954,140	P -	P381,954,140
Receivables	120,669,386	(14,299,899)	106,369,487
Loan receivable	15,500,000	-	15,500,000
Lease deposit	78,000,000	-	78,000,000
	P596,123,526	(P14,299,899)	P581,823,627

Impairment on cash has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash has low credit risk based on the external credit ratings of the counter parties.

The Company computes impairment loss on trade and other receivables based on past collection experiences, current circumstances and the impact of future economic conditions, if any, available at the reporting period. Loss rates are based on actual credit loss experience. Any adjustments to the loss rates for forecasts of future economic conditions are not expected to be material. The Company applies the simplified approach in providing for ECL prescribed by PFRS 9, which permits the use of the lifetime expected loss provision and applies a provision matrix.

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 in operations. 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.

The Company's total current liabilities as at December 31, 2022 and 2021 amounted to P298,971,660 and P170,218,322, respectively, which are less than its total current assets of P697,266,589 and P553,119,343, respectively. Thus, the Company has sufficient funds to pay for its current liabilities and has minimal liquidity risk. Maturity analysis of lease liabilitiy is disclosed in Note 20.

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 to give the Company the flexibility to adjust its room rates in accordance to market conditions. Also, there are minimal changes in room rates in the hotel industry.

Interest Rate Risk
The Company has no interest-bearing debt obligations to third parties and its receivables are subject to fixed interest rates. As such, the Company has minimal interest rate risk.

Foreign Currency Risk
The Company is mainly exposed to foreign currency risk on its cash and cash equivalents that are denominated in a currency other than the Company's functional currency which is the Philippine Peso (PHP). The currency giving rise to this risk is the United States dollar (US$). The Company ensures that its exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

As at December 31, 2022 and 2021, assets denominated in US$ include cash in banks amounting to P5,848,349 (US$104,571) and P7,623,853 (US$151,087) respectively; short-term investment amounting to P320,258,242 (US$5,726,377) and P202,961,228 (US$4,022,061), respectively.

In translating foreign currency-denominated monetary assets into Php amounts, the exchange rates used were P55.76 and P50.46 to US$1 as at December 31, 2022 and 2021, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the PHP to US$ exchange rates, with all other variables held constant, of the Company's income before tax. There is no other impact on the Company's equity other that those already affecting profit or loss.

	Increase (Decrease) in US$ Exchange Rate	Effect on Income before Income Tax	Effect on Equity after Income Tax
2022			
	10%	**P34,361,873**	**P25,771,405**
	(10%)	**(34,361,873)**	**25,771,405**
2021			
	5%	10,709,054	8,031,791
	(5%)	(10,709,054)	(8,031,791)

The increase in US$ rate means stronger US$ against Php while the decrease in US$ means stronger Php against the US$.

Fair Values

The fair values together with the carrying amounts of the financial assets and liabilities shown in the statements of financial position are as follows:

	2022		2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	**P490,020,736**	**P490,020,736**	P386,245,378	P386,245,378
Receivables - net**	**92,174,642**	**92,174,642**	106,341,240	106,341,240
Lease deposit	**78,000,000**	**78,000,000**	78,000,000	78,000,000
Loan receivable	**15,500,000**	**15,500,000**	15,500,000	15,500,000
Accounts payable and accrued expenses	**63,224,894**	**63,224,894**	61,595,142	61,595,142
Lease liabilities***	**163,524,676**	**163,524,676**	167,762,117	167,762,117
Due to related parties	**47,186,672**	**47,186,672**	46,285,248	46,285,248
Refundable deposits	**126,870,542**	**126,870,542**	27,134,052	27,134,052
Other current liabilities*	**30,598,268**	**30,598,268**	9,506,181	9,506,181

**Excluding payables to government and Output VAT Payable of P26,959,225 and P21,928,258 in 2022 and 2021, respectively.*
***Excluding deposits to suppliers of P28,247 in 2022 and 2021.*
****Including current and noncurrent portion.*

Estimation of Fair Values

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

Cash and Cash Equivalents

The carrying value of cash and cash equivalents approximates its fair value due to the short-term nature of this asset.

Receivables - net , Loan Receivable, Accounts Payable and Accrued Expenses, Due to Related Parties, Refundable Deposits, Other Current Liabilities Except for Output VAT Liability and Other Statutory Payables, Lease Liability - Current Portion

Current receivables are reported at their net realizable values, at total amounts less allowances for estimated uncollectable accounts. Current liabilities are stated at amounts reasonably expected to be paid within the next twelve months or within the Company's operating cycle. Due to/from related parties and loan receivable are payable on demand.

Lease Deposit
The lease deposit is interest-bearing and its carrying value approximates its fair value as the impact of discounting using the applicable discount rates based on current market rates of identical or similar quoted instruments is immaterial.

Lease Liability - Noncurrent Portion
The carrying amount of lease liability - noncurrent portion approximates its fair value since the Company does not anticipate that the effect of discounting using the prevailing market rate is significant.

Capital Management
The Company's objectives when managing capital are to increase the value of shareholders' investment and maintain high growth by applying free cash flow to selective investments. The Company sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Chief Financial Officer has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry. The Company monitors capital on the basis of the debt-to-equity ratio which is calculated as total debt divided by total equity. Total debt is equivalent to accounts payable and accrued expenses, income tax payable, due to related parties, other current liabilities, refundable deposits and retirement benefits liability. Total equity comprises mainly of the capital stock, additional paid-in capital and retained earnings.

There were no changes in the Company's approach to capital management during the year.

As at December 31, 2022 and 2021 the Company is compliant with the minimum public float requirement of the SEC.

The Company has 115,000,000 shares registered with the SEC on August 9, 1989, the effective date of registration statement. The registered shares with the SEC remain the same as at December 31, 2022 and 2021. The original issue/offer price was P10.00 per share. There were no additional shares registered with the SEC as at December 31, 2022 and 2021.

Based on the Philippine Stock Exchange's website, the Company's traded price per share was P14.38 as at December 31, 2022 and 2021, respectively. The total number of shareholders was 16,038 and 16,093 as at December 31, 2022 and 2021, respectively.

26. Other Matter - BIR 2008 Tax Case

On 20 February 2015, the Company filed a Petition for Review with the Court of Tax Appeals (CTA) to invalidate the collection proceedings of the BIR. The Petition is based on the Company's position, as advised by tax counsel, that the collection proceedings initiated by the Commissioner of Internal Revenue ("CIR") is void because the assessment, from which the collection proceedings arose, did not comply with the requirements of law and lacked factual and legal bases.

The deficiency tax case seeks to have the CTA review the collection letter that the Company received from the BIR on 12 December 2013. As far as the Company 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 P508,101,387 consisting of P262,576,825 for basic tax, and interest of P245,524,562 from 20 January 2009 to 30 September 2013.

On 24 July 2015, the Company received a Warrant of Distraint and/or Levy dated 24 July 2015 from the BIR ("Warrant"). The Warrant relates to the tax case for year 2008. Considering that a Petition for Review has been earlier filed with the CTA on 20 February 2015 to question the validity of the collection proceedings initiated by the CIR and that the matter is currently being litigated at the CTA, the Company has taken appropriate legal measures to ensure that such Warrant is not implemented during the course of the trial proceedings.

During the CTA hearing on 21 September 2015, the Company presented 2 witnesses and they were able to finish their testimonies on the same day. The BIR, on the other hand, did not present any witnesses and opted to submit the case for the resolution of the CTA.

On 6 November 2015, the Company filed its Formal Offer of Documentary Evidence. In two Resolutions dated 4 January 2016 and 11 March 2016 respectively, the CTA admitted in evidence the Company's documentary exhibits.

On 15 April 2016, the Company filed its Memorandum with the CTA.

Meanwhile, on 8 June 2016, management of the Company was informed by Metropolitan Bank & Trust Company ("Metrobank") via email, that the BIR has issued a Warrant of Garnishment with Warrant No. 125-2015-011 dated 2 June 2016 against the Company in connection with the Deficiency Tax Case. Pursuant to the Warrant, the BIR seeks to garnish the Company's deposits with Metrobank, which are currently in the amount of P499,050, as may be necessary to satisfy the alleged tax deficiency of the Company.

In addition, on 10 June 2016, management of the Company was also informed by the Land Bank of the Philippines ("Land Bank"), that the BIR has issued a Warrant of Garnishment with Warrant No. 125-2015-011 against the Company in connection with the Deficiency Tax Case. To date, the Company has not received the original Warrant from the BIR. Pursuant to the Warrant, the BIR seeks to garnish the Company's deposits with the Land Bank, which are currently in the amount of P71,719 as may be necessary to satisfy the alleged tax deficiency of the Company.

In a Manifestation dated 1 September 2016, the CIR informed the CTA that it will adopt its arguments in its Answer as its Memorandum.

Thus, on 6 September 2016, the Company's tax counsel received a Resolution from the CTA stating that the case has been submitted for decision.

On 7 March 2017, the Company filed an Urgent Motion to Allow Payment of Taxes with the CTA. This is with respect to the Warrant of Garnishment with Land Bank. The Company uses this bank account for its tax payments.

On 24 August 2017, the Company withdrew its "Urgent Motion to Allow Payment of Taxes" with CTA and instead requested the CTA to submit the case for decision. On 31 August 2017, CTA granted the withdrawal of the Motion and submitted the case for decision.

On 4 July 2018, the CTA rendered its Decision.

In the Decision, the CTA held that it does not have jurisdiction to entertain the Petition. It explained that the CTA only has jurisdiction to review decisions of the CIR involving disputed assessments, and not those assessments which have become final and executory. The CTA held that due to the Company's failure to file a protest within the reglementary period, the assessment became final, executory, and demandable. In light of the foregoing, the CTA held that it had no jurisdiction to entertain the Petition.

The Company filed a Motion for Reconsideration ("MR") on 19 July 2018. In its MR, the Company argued that: (i) the CTA has jurisdiction to review collection proceedings initiated by the CIR pursuant to its powers under Section 7(A)(1) of the National Internal Revenue Code; and (ii) the tax deficiency assessment of the CIR is void for failure to indicate a due date for payment and thus, the absence of a protest does not render the assessment final and executory because no rights can emanate from a void assessment.

Amended Decision
On 30 October 2018, the Company received the CTA's Amended Decision granting the Company's MR. Thus, the CTA annulled and set aside the CIR's assessment against the Company for deficiency income tax, withholding tax on compensation, expanded withholding tax, documentary stamp taxes, and value-added tax, in the total amount of P508,101,387 for taxable year 2008.

In its Amended Decision, the CTA held that it had jurisdiction to review collection proceedings by the CIR pursuant to its powers under Section 7(a)(1) of the Tax Code, and in particular, "other matters" arising under the National Internal Revenue Code. The CTA held that while there is no disputed assessment, it can assume jurisdiction over the Petition under "other matters".

After a careful scrutiny of the Formal Letter of Demand and Final Assessment Notice, the CTA held that the same was not valid for failure to indicate a definite due date for payment by the taxpayer, which negates the CIR's demand for payment.

MR Filed by CIR
On 20 November 2018, the MR filed by the CIR seeks to pray for a reconsideration of the Amended Decision and to uphold the Decision dated 4 June 2018 on the following grounds:

(1) The "other matters" clause of Section 7 of Republic Act No. 9282 does not include assessment cases.

(2) A challenge to the collection procedure under "other matters" cannot reach back and examine an undisputed assessment.

(3) Even assuming that the present case falls under the scope of "other matters", the Petition was filed out of time.

The Company filed its Comment to the CIR's MR on 12 December 2018 and expected that the same be denied for lack of merit. On 14 March 2019, the CTA issued a decision denying the CIR Motion for Reconsideration as the Court finds no cogent reasons to reverse or modify the Amended Decision.

On 21 March 2019, the CIR filed an appeal to the CTA En Banc to set aside the Amended Decision. On 19 June 2019, the Company received a notice from the CTA En Banc to file its comments to Petition of CIR. The Company filed its comment on 20 June 2019.

On 2 December 2019, the CTA En Banc issued a Notice of Resolution that since both CIR and the Company decided not to have the case mediated by Philippine Mediation Center - Court of Tax Appeals, the mediation proceedings are terminated and the case is submitted for decision by the CTA En Banc.

On 29 September 2020, CTA En Banc promulgated a decision affirming the CTA decision and denied the Petition of CIR for lack of merit. CIR, dissatisfied with the decision, filed a Motion for Reconsideration on 20 October 2020 and the Company has filed its Response to CIR's Motion for Reconsideration on 11 November 2020. As at 4 January 2021, there is no decision yet from CTA En Banc.

On 26 January 2021, the Company received from its counsel the Decision of CTA En Banc denying again the Motion for Reconsideration of CIR for lack of merit.

Petition for Review Filed by the CIR
On 23 March 2021, Management of the Company was advised by the Company 's tax counsel that it had received a copy of the Petition for Review dated 8 March 2021 filed by the CIR with the Philippine Supreme Court which seeks to set aside the CTA En Banc Decision dated 29 September 2020 (Decision) and CTA En Banc Resolution.

The Petition for Review seeks to (i) reverse and set aside the CTA En Banc Decision dated 29 September 2020 and Resolution dated 19 January 2021 and (ii) render a decision ordering the Company to pay the total amount of P37,394,322, P142,281,715, and P326,352,191 representing withholding tax on compensation, value-added tax, and income tax assessment, respectively, or an aggregate amount of P506,028,228 for taxable year 2008 as well as 25% and 50% surcharge, 20% deficiency and delinquency interest and 12% interest until full payment pursuant to the Tax Reform for Acceleration and Inclusion (TRAIN) law.

The Supreme Court has yet to act on the CIR's Petition. The Company is awaiting for further instructions from Supreme Court on this matter as at 11 April 2023.

27. Impact of COVID-19

On March 8, 2020, under Proclamation 922, the Office of the President has declared a state of public health emergency and subsequently on March 16, 2020, under Proclamation 929, a state of calamity throughout the Philippines due to the spread of the COVID-19. To manage the spread of the disease, the entire Luzon including Metro Manila has been placed under an Enhanced Community Quarantine (ECQ), effective March 17, 2020. The quarantine has caused restrictions in the mobility of people outside their homes, hence, limiting business activities and commercial operations. The quarantine status of Metro Manila went through extensions and modifications.

On September 14, 2021, Metro Manila was placed under General Community Quarantine (GCQ) with Alert Level 4 effective on the second half of the month of September 2021. This is based on the updated guidelines on the COVID-19 alert level system with granular lockdowns released by Inter-Agency Task Force for the Management of Emerging Infectious Disease. Alert Level 4 was further extended until October 15, 2021. Alert level status of Metro Manila was lowered to Alert Level 3 from October 16, 2021 to October 31, 2021 following the government's approval of the IATF's recommendations. On November 5, 2021, Metro Manila was placed under Alert Level 2 until November 21, 2021. This was subsequently heightened to Alert Level 3 until January 31, 2022, and reverted to Alert Level 2 starting February 1 to 15, 2022.

The Company is one of the hotels accredited to become a quarantine facility by Department of Health (DOH) during this pandemic. Contract with Overseas Workers Welfare Administration (OWWA) which started in May 2020 was extended until June 2022 to cater repatriated and returning Overseas Filipino Workers. The Company also secured a contract with Philippines Offshore Gaming Operators (POGO) and Business Process Outsourcing (BPO) companies to serve as a temporary shelter during lockdown. However, there was also a slow down on collection of its receivables and payment of its obligations.

For the years 2021 and 2020, the concentration of revenue was from the contracts with Overseas Workers Welfare Administration (OWWA), Philippines Offshore Gaming Operators (POGO) and Business Process Outsourcing (BPO). In addition to this, the Company had a contract with maritime companies to serve as quarantine facility for returning seafarers. The Company is now planning their actions to transition from a quarantine facility back to its pre-pandemic normal operations which is catering guests for business and leisure purposes.

On November 9, 2021, the Company was also able to secure its Certificate of Inspection issued by the Bureau of Quarantine (BOQ) under the DOH. This ceritifies that the Company has been inspected, and is compliant with the prescribed public health and safety standards, thereby allowing it to operate as a multiple-use hotel. The Certificate for Multiple-use Hotel was then issued to the Company on December 13, 2021, officially permitting the Company to operate for leisure or staycation.

Unlike 2021 and 2020, whereby the Hotel housed quarantined guests, in 2022, the Hotel is fully opened to the public.

Management has implemented all measures to mitigate the risks on its business operations. Hence, the financial statements have been prepared on a going concern basis of accounting as of reporting date.

28. Supplementary Information Required by Bureau of Internal Revenue (BIR)

In addition to the disclosures mandated under PFRSs, 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 PFRSs. The following is the tax information/disclosures required for the taxable year ended December 31, 2022:

Based on RR No. 15-2010

A. Value Added Tax (VAT)

1. Output VAT	**P35,104,164**
Account title used:	
Basis of the Output VAT:	
Vatable sales	**P210,319,785**
Sales to Government	**82,214,915**
Zero rated sales	**77,346**
Exempt sales	**2,901,153**
	P295,513,199
2. Input VAT	
Beginning of the year	**P -**
Input tax deferred on capital goods from previous period	**2,370,958**
Current year transactions:	
a. Domestic purchases of goods other than capital gooc	**5,860,838**
b. Domestic purchases of services	**18,263,011**
Deductions from input tax	**(951,358)**
Total allowable Input VAT	**P25,543,449**
Total VAT payable during the year	**P9,560,715**
Less: Applied input VAT and payments during the year	**8,410,656**
Balance at the end of the year	**P1,150,059**

B. Withholding Taxes

Tax on compensation and benefits	**P7,513,747**
Creditable withholding taxes	**5,355,273**
	P12,869,020

C. All Other Taxes (Local and National)

Other taxes paid during the year recognized under Administrative Expenses	
Real estate taxes	**P9,265,202**
License and permit fees	**93,760**
	P9,358,962

D. Deficiency Tax Assessments and Tax Cases

As at December 31, 2022, the Company has pending deficiency tax assessments amounting to P508,101,387 for the tax period 2008 which is pending review by the Supreme Court.

KPMG

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209

Telephone	+63 (2) 8885 7000
Fax	+63 (2) 8894 1985
Internet	www.home.kpmg/ph
Email	ph-inquiry@kpmg.com

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Grand Plaza Hotel Corporation
10th Floor, The Heritage Hotel Manila
EDSA corner Roxas Boulevard
Pasay City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Grand Plaza Hotel Corporation (the Company) as at December 31, 2022 and 2020 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated April 11, 2023.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies.

KPMG

This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

R.G. MANABAT & CO.

ALICIA S. COLUMBRES
Partner
CPA License No. 069679
SEC Accreditation No. 69679-SEC, Group A, valid for five (5) years covering the audit of 2022 to 2026 financial statements
Tax Identification No. 120-964-156
BIR Accreditation No. 08-001987-027-2020
Issued July 20, 2020; valid until July 19, 2023
PTR No. MKT 9563821
Issued January 3, 2023 at Makati City

April 11, 2023
Makati City, Metro Manila

KPMG

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209

Telephone	+63 (2) 8885 7000
Fax	+63 (2) 8894 1985
Internet	www.home.kpmg/ph
Email	ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Grand Plaza Hotel Corporation
10th Floor, The Heritage Hotel Manila
EDSA corner Roxas Boulevard
Pasay City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Grand Plaza Hotel Corporation (the Company) as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, included in this Form 17-A, and have issued our report thereon dated April 11, 2023.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Company's management. Such additional components include:

- Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration
- Map of the Conglomerate
- Supplementary Schedules of Annex 68-J.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

KPMG

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

ALICIA S. COLUMBRES
Partner
CPA License No. 069679
SEC Accreditation No. 69679-SEC, Group A, valid for five (5) years
covering the audit of 2022 to 2026 financial statements
Tax Identification No. 120-964-156
BIR Accreditation No. 08-001987-027-2020
Issued July 20, 2020; valid until July 19, 2023
PTR No. MKT 9563821
Issued January 3, 2023 at Makati City

April 11, 2023
Makati City, Metro Manila

SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AS OF DECEMBER 31, 2022

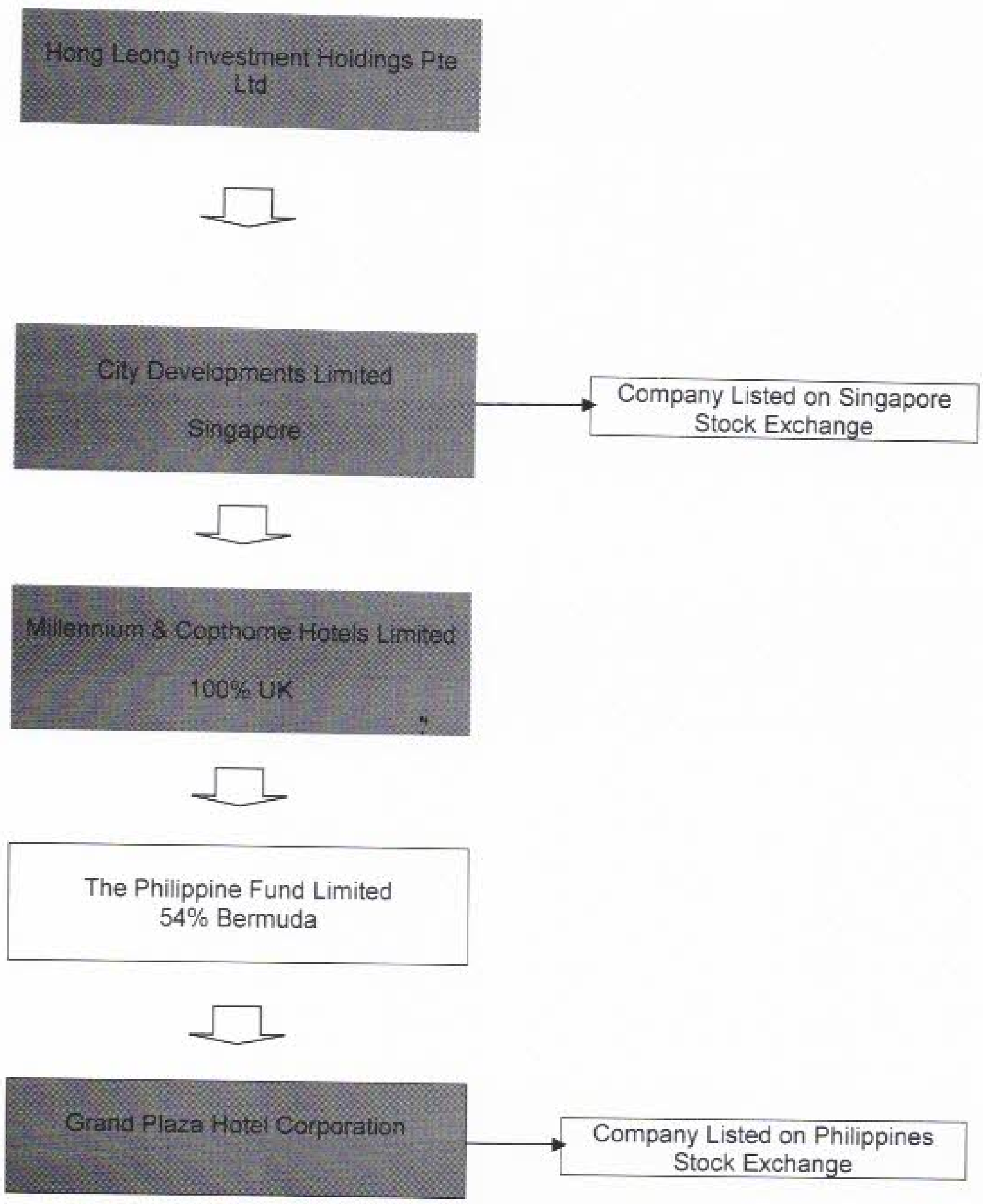
GRAND PLAZA HOTEL CORPORATION

10th Floor, The Heritage Hotel Manila
EDSA corner Roxas Boulevard ,Pasay City

Retained Earnings, Beginning	**P1,684,651,009**
Adjustments:	
(see adjustments in previous years' Reconciliation)	**(1,706,271,870)**
Retained Earnings, as adjusted, beginning	**(21,620,861)**
Net Income during the period close to Retained Earnings	**5,998,222**
Less: Non-actual/unrealized income net of tax	
Equity in Net Income of associated/joint venture	**(976,374)**
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	-
Unrealized actuarial gain	-
Fair value adjustment (M2M gains)	-
Fair value adjustment of Investment Property resulting to gain	-
Adjustment due to deviation from PFRS/GAAP-gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Deferred Income Tax Benefit for the year	-
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP - loss	-
Loss on fair value adjustment of investment property (after tax)	-
Net Income Actual/Realized	**5,021,848**
Retained Earnings, as Adjusted, Ending	**(P16,599,013)**

The Group Structure

The Philippine Fund Limited Group Structure



As at 31 December 2022

Grand Plaza Hotel Corporation

Schedule showing Financial Soundness Indicators

Key Performance Indicators	Fomula (Amount in Millions)		2022	2021
Current Ratio	Total Current Assets	697	**2.33**	3.25
	Divide by: Total Current Liabilities	299		
	Current Ratio	2.33		
Acid Test Ratio	Total Current Assets	697	**2.04**	3.00
	Less: Inventories	(6)		
	Other current assets	(82)		
	Quick Assets	609		
	Divide by: Total Current Liabilities	299		
	Acid Test Ration	2.04		
Debt to Equity Ratio	Total Liabilities	486	**0.53**	0.41
	Stockholders Equity	914		
Asset to Equity Ratio	Total Assets	1,400	**1.53**	1.41
	Stockholder's Equity	914		
Profit before tax Margin Ratio	Profit (Loss) Before Tax	12.34	**4.18%**	14.06%
	Total Revenue	295.40		
EBITDA (Earnings before interest, tax, depreciation & amortization	Profit (Loss) Before Tax	12.34	**P33.32 million**	P87.84 million
	Add: Depreciation Expenses	40.61		
	Interest Expense	13.56		
	Less: Foreign Exchange Gain	22.39		
	Interest Income	9.82		
	Equity in Net Income of Assoc	0.98		
	EBITDA	33.32		
Return on Equity	Net Income	6.00	**0.66%**	3.74%
	Total Equity	914		
Return on Assets	Net Income	6.00	**0.43%**	2.65%
	Average Total Assets	1400		

Grand Plaza Hotel Corporation

Schedule showing Financial Soundness Indicators

Key Performance Indicators	Fomula (Amount in Millions)		2022	2021
Current Ratio	Total Current Assets	697	**2.33**	3.25
	Divide by: Total Current Liabilities	299		
	Current Ratio	2.33		
Acid Test Ratio	Total Current Assets	697	**2.04**	3.00
	Less: Inventories	(6)		
	Other current assets	(82)		
	Quick Assets	609		
	Divide by: Total Current Liabilities	299		
	Acid Test Ration	2.04		
Debt to Equity Ratio	Total Liabilities	486	**0.53**	0.41
	Stockholders Equity	914		
Asset to Equity Ratio	Total Assets	1,400	**1.53**	1.41
	Stockholder's Equity	914		
Profit before tax Margin Ratio	Profit (Loss) Before Tax	12.34	**4.18%**	14.06%
	Total Revenue	295.40		
EBITDA (Earnings before interest, tax, depreciation & amortization	Profit (Loss) Before Tax	12.34	**P33.32 million**	P87.84 million
	Add: Depreciation Expenses	40.61		
	Interest Expense	13.56		
	Less: Foreign Exchange Gain	22.39		
	Interest Income	9.82		
	Equity in Net Income of Assoc	0.98		
	EBITDA	33.32		
Return on Equity	Net Income	6.00	**0.66%**	3.74%
	Total Equity	914		
Return on Assets	Net Income	6.00	**0.43%**	2.65%
	Average Total Assets	1400		

GRAND PLAZA HOTEL CORPORATION
SCHEDULES TO FINANCIAL STATEMENTS

Schedule A. Financial Assets

Name of Issuing entity and assosciation of each issue	Number of shares or principal amounts of bonds	Amount shown in balance sheet	Valued based on market quotation at end of reporting period	Income received and accrued
CASH ON HAND AND IN BANKS	-	169,762,493	169,762,493	293,649
SHORT TERM INVESTMENTS	-	320,258,242	320,258,242	4,854,565
RECEIVABLES - NET	-	92,202,890	127,183,475	-
LOAN RECEIVABLE	-	15,500,000	15,500,000	775,000
LEASE DEPOSIT	-	78,000,000	78,000,000	3,900,000

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than related parties)

Name and Designation of debtor	Balance December 31, 2021	Additions	Amounts Collected	Amounts written off	Current	Not Current	Balance December 2022
HARBOUR LAND CORPORATION	1,950,000	4,252,435	2,925,000	-	3,277,435	-	3,277,435
ELITE HOTEL MANAGEMENT SERVICES PT	104,000	971,094	1,007,894	-	67,200		67,200
ROGO REALTY CORPORATION	322,917	910,447	1,122,520	-	110,844	-	110,844
TOTAL	2,376,917	6,133,976	5,055,414	-	3,455,479	-	3,455,479

Schedule C. Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements

Name and Designation of debtor	Balance December 31, 2021	Additions	Amounts Collected	Amounts written off	Current	Not Current	Balance December 2022
	Nothing to report						
TOTAL	-	-	-	-	-	-	-

Schedule D. Intangible Assets - Other Assets

Description	Balance December 31, 2021	Additions at Cost	Charged to cost and expense	Charged to other accounts	Other Changes	Balance December 31, 2022
	Nothing to report					
TOTAL	0	-	-	0	-	0

* Allowance for impairment of input tax

Schedule E. Long Term Debt

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption " Current portion of	Amount shown under caption "Long-Term Debt" in related
	Nothing to report		-
			-
TOTAL	-	-	-

GRAND PLAZA HOTEL CORPORATION
SCHEDULES TO FINANCIAL STATEMENTS

Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Balance December 31, 2021	Balance December 31, 2022
Nothing to report		
TOTAL	-	-

Schedule G. Guarantees of Securities of Other Isssuers

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
Nothing to report				

GRAND PLAZA HOTEL CORPORATION
SCHEDULES TO FINANCIAL STATEMENTS

Schedule H. Capital Stock

Title of Issue	Number of shares authorized	No. of shares issued and outstanding	No. of shares reserved for options, warrants convertion and other right	Number of shares held by related parties	Directors, officers and employees	Name
Common	115,000,000	53,717,369	-	-	-	-
					1	Kwek Eik Sheng
					1	Bryan Cockrell
					1	Rene Soriano
					1	Mia Gentugaya
					1	Antonio Rufino
					1	Wong Kok Ho
					2,999	Yam Kit Sung
					1,000	Arlene De Guzman
				29,128,932		The Philippine Fund Ltd.
				17,727,149		Zatrio PTE LTD
						**7,329,283 - owned by Public
TOTAL	**115,000,000**	**53,717,369**	-	**46,856,081**	**4,005**	-

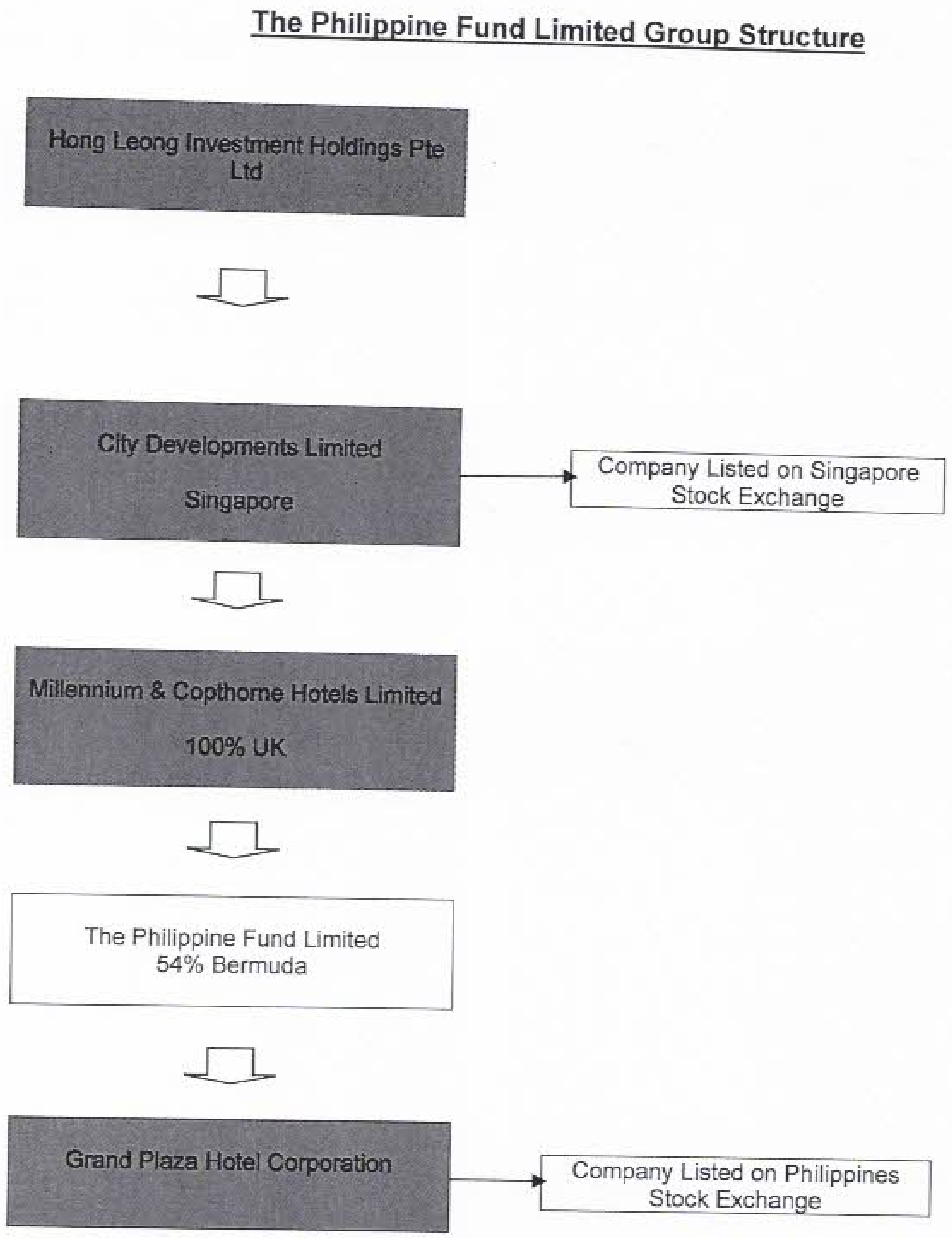
SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AS OF DECEMBER 31, 2022

GRAND PLAZA HOTEL CORPORATION

10th Floor, The Heritage Hotel Manila
EDSA corner Roxas Boulevard ,Pasay City

Retained Earnings, Beginning	**P1,684,651,009**
Adjustments:	
(see adjustments in previous years' Reconciliation)	**(1,706,271,870)**
Retained Earnings, as adjusted, beginning	**(21,620,861)**
Net Income during the period close to Retained Earnings	**5,998,222**
Less: Non-actual/unrealized income net of tax	
Equity in Net Income of associated/joint venture	**(976,374)**
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	-
Unrealized actuarial gain	-
Fair value adjustment (M2M gains)	-
Fair value adjustment of Investment Property resulting to gain	-
Adjustment due to deviation from PFRS/GAAP-gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Deferred Income Tax Benefit for the year	-
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP - loss	-
Loss on fair value adjustment of investment property (after tax)	-
Net Income Actual/Realized	**5,021,848**
Retained Earnings, as Adjusted, Ending	**(P16,599,013)**

The Group Structure



As at 31 December 2022

Grand Plaza Hotel Corporation

Schedule showing Financial Soundness Indicators

Key Performance Indicators	Fomula (Amount in Millions)		2022	2021
	Total Current Assets	697		
Current Ratio	Divide by: Total Current Liabilities	299	**2.33**	3.25
	Current Ratio	2.33		
	Total Current Assets	697		
	Less: Inventories	(6)		
Acid Test Ratio	Other current assets	(82)	**2.04**	3.00
	Quick Assets	609		
	Divide by: Total Current Liabilities	299		
	Acid Test Ration	2.04		
Debt to Equity Ratio	Total Liabilities	486	**0.53**	0.41
	Stockholders Equity	914		
Asset to Equity Ratio	Total Assets	1,400	**1.53**	1.41
	Stockholder's Equity	914		
Profit before tax Margin Ratio	Profit (Loss) Before Tax	12.34	**4.18%**	14.06%
	Total Revenue	295.40		
EBITDA (Earnings before interest, tax, depreciation & amortization	Profit (Loss) Before Tax	12.34		
	Add: Depreciation Expenses	40.61		
	Interest Expense	13.56	**P33.32 million**	P87.84 million
	Less: Foreign Exchange Gain	22.39		
	Interest Income	9.82		
	Equity in Net Income of Asso(	0.98		
	EBITDA	33.32		
Return on Equity	Net Income	6.00	**0.66%**	3.74%
	Total Equity	914		
Return on Assets	Net Income	6.00	**0.43%**	2.65%
	Average Total Assets	1400		

GRAND PLAZA HOTEL CORPORATION
SCHEDULES TO FINANCIAL STATEMENTS

Schedule A. Financial Assets

Name of Issuing entity and asssociation of each issue	Number of shares or principal amounts of bonds	Amount shown in balance sheet	Valued based on market quotation at end of reporting period	Income received and accrued
CASH ON HAND AND IN BANKS	-	169,762,493	169,762,493	293,649
SHORT TERM INVESTMENTS	-	320,258,242	320,258,242	4,854,565
RECEIVABLES - NET	-	92,202,890	127,183,475	-
LOAN RECEIVABLE	-	15,500,000	15,500,000	775,000
LEASE DEPOSIT	-	78,000,000	78,000,000	3,900,000

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than related parties)

Name and Designation of debtor	Balance December 31, 2021	Additions	Amounts Collected	Amounts written off	Current	Not Current	Balance December 2022
HARBOUR LAND CORPORATION	1,950,000	4,252,435	2,925,000	-	3,277,435	-	3,277,435
ELITE HOTEL MANAGEMENT SERVICES PT	104,000	971,094	1,007,894	-	67,200		67,200
ROGO REALTY CORPORATION	322,917	910,447	1,122,520	-	110,844	-	110,844
TOTAL	2,376,917	6,133,976	5,055,414	-	3,455,479	-	3,455,479

Schedule C. Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements

Name and Designation of debtor	Balance December 31, 2021	Additions	Amounts Collected	Amounts written off	Current	Not Current	Balance December 2022
	Nothing to report						
TOTAL	-	-	-	-	-	-	-

GRAND PLAZA HOTEL CORPORATION
SCHEDULES TO FINANCIAL STATEMENTS

Schedule D. Intangible Assets - Other Assets

Description	Balance December 31, 2021	Additions at Cost	Charged to cost and expense	Charged to other accounts	Other Changes	Balance December 31, 2022
	Nothing to report					
TOTAL	0	-	-	0	-	0

* Allowance for impairment of input tax

Schedule E. Long Term Debt

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption " Current portion of	Amount shown under caption "Long-Term Debt" in related
	Nothing to report		- -
TOTAL	-	-	-

GRAND PLAZA HOTEL CORPORATION
SCHEDULES TO FINANCIAL STATEMENTS

Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Balance December 31, 2021	Balance December 31, 2022
Nothing to report		
TOTAL	-	-

Schedule G. Guarantees of Securities of Other Isssuers

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
Nothing to report				

GRAND PLAZA HOTEL CORPORATION
SCHEDULES TO FINANCIAL STATEMENTS

Schedule H. Capital Stock

Title of Issue	Number of shares authorized	No. of shares issued and outstanding	No. of shares reserved for options, warrants onvertion and other right	Number of shares held by related parties	Directors, officers and employees	Name
Common	115,000,000	53,717,369	-	-	-	-
					1	Kwek Eik Sheng
					1	Bryan Cockrell
					1	Rene Soriano
					1	Mia Gentugaya
					1	Antonio Rufino
					1	Wong Kok Ho
					2,999	Yam Kit Sung
					1,000	Arlene De Guzman
				29,128,932		The Philippine Fund Ltd.
				17,727,149		Zatrio PTE LTD
						**7,329,283 - owned by Public
TOTAL	**115,000,000**	**53,717,369**	-	**46,856,081**	**4,005**	-