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
AAFS		

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.

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GRAND PLAZA HOTEL CORPORATION

FINANCIAL STATEMENTS
December 31, 2023, 2022 and 2021

With Independent Auditor's Report

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

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, 2023 and 2022, 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, 2023, and notes, comprising material 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, 2023 and 2022, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards (PFRSs).

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 audits 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.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
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)

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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.

Revenue Recognition
Refer to Note 3 to the financial statements

The risk

The Company's revenue transactions are not complex and no significant judgment is applied over the amounts recorded. Most of the Company's revenue streams are recognized straight line over the term of the contract or at a point which the accommodation and related services are provided. However, there is a risk concerning inappropriate revenue recognition when the control of the product has not yet transferred to the customer and revenue is recognised. As such revenue recognition has been held as an area of audit focus.

Our response

As part of our audit procedures, we evaluated and tested the Company's relevant key controls over the completeness, existence and accuracy of revenue recognized in the consolidated financial statements. We inspected supporting documents and evaluated revenue transactions, on a sample basis, throughout the current reporting period. We inspected supporting documents of revenue transactions before and after year end to to assess whether these transactions are recorded accurately in the correct reporting period. We tested journal entries around revenue to identify any unusual or irregular items posted in the accounting records. We also assessed whether the Company's revenue recognition policies and disclosures are in accordance with PFRSs.

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, 2023, 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, 2023 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 PFRSs, 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.

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.

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- 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.

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 on taxes, duties and license fees 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 information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the 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 Anabella R. Resuello.

R.G. MANABAT & CO.

ANABELLA R. RESUELLO
Partner
CPA License No. 0125463
Tax Identification No. 941-200-384
BIR Accreditation No. 08-001987-149-2022
Issued January 27, 2022; valid until January 26, 2025
PTR No. MKT 10075194
Issued January 2, 2024 at Makati City

April 10, 2024
Makati City, Metro Manila

BUREAU OF INTERNAL REVENUE
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GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2023**	2022
ASSETS			
Current Assets			
Cash and cash equivalents	*4, 25*	**P543,363,398**	P490,020,736
Receivables - net	*5, 25*	**118,139,338**	92,202,889
Loan receivable	*9, 14, 25*	**15,500,000**	15,500,000
Due from related parties	*14, 25*	**11,404,381**	11,042,591
Inventories	*6*	**7,111,731**	6,339,111
Prepaid expenses and other current assets	*7*	**84,976,714**	82,161,262
Total Current Assets		**780,495,562**	697,266,589
Noncurrent Assets			
Property and equipment - net	*10, 14, 20*	**533,857,730**	550,334,183
Investment in an associate	*8, 14*	**50,037,982**	49,975,224
Deferred tax assets - net	*22*	**18,510,408**	15,134,335
Other noncurrent assets	*11, 14*	**114,663,381**	87,018,989
Total Noncurrent Assets		**717,069,501**	702,462,731
		P1,497,565,063	P1,399,729,320
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*12, 25*	**P112,133,314**	P63,224,894
Refundable deposits - current portion	*19, 20, 25*	**126,897,209**	126,402,542
Due to related parties	*14, 25*	**63,656,535**	47,186,172
Lease liability - current portion	*14, 20, 25*	**4,994,788**	4,600,559
Other current liabilities	*13, 25*	**61,086,216**	57,557,493
Total Current Liabilities		**368,768,062**	298,971,660
Noncurrent Liabilities			
Lease liability - noncurrent portion	*14, 20, 25*	**153,929,329**	158,924,117
Retirement benefits liability	*21*	**30,868,533**	27,430,178
Refundable deposits - net of current portion	*19, 20, 25*	**-**	468,000
Total Noncurrent Liabilities		**184,797,862**	186,822,295
Total Liabilities		**553,565,924**	485,793,955
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*	**14,666,679**	15,466,287
Retained earnings	*23*	**1,721,512,613**	1,690,649,231
Treasury stock	*24*	**(1,680,020,370)**	(1,680,020,370)
Total Equity		**943,999,139**	913,935,365
		P1,497,565,063	P1,399,729,320

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF PROFIT OR LOSS

	Note	2023	2022	2021
		Years Ended December 31		
REVENUES				
Rooms		**P237,914,097**	P201,076,345	P284,641,767
Food and beverage		**149,400,682**	87,488,455	47,788,080
Rent income	*20*	**74,280,488**	1,687,396	600,000
Other operating departments		**1,343,746**	713,727	238,853
Others		**5,352,447**	4,437,933	1,721,841
		468,291,460	295,403,856	334,990,541
COST OF SALES AND SERVICES	*16*	**157,934,954**	103,126,291	70,664,777
GROSS OPERATING INCOME		**310,356,506**	192,277,565	264,325,764
ADMINISTRATIVE EXPENSES	*17*	**275,815,035**	199,568,770	219,452,087
NET OPERATING INCOME (LOSS)		**34,541,471**	(7,291,205)	44,873,677
OTHER INCOME - Net				
Interest income	*4, 9, 14*	**22,837,181**	9,823,215	5,199,246
Equity in net income of an associate	*8*	**1,662,758**	976,374	1,587,026
Interest on lease liability	*20*	**(13,197,049)**	(13,560,167)	(13,894,621)
Foreign exchange gain (loss) - net		**(5,186,799)**	22,390,968	9,334,158
		6,116,091	19,630,390	2,225,809
INCOME BEFORE INCOME TAX		**40,657,562**	12,339,185	47,099,486
INCOME TAX EXPENSES	*22*	**9,794,180**	6,340,963	13,430,432
NET INCOME		**P30,863,382**	P5,998,222	P33,669,054
Basic and Diluted Earnings Per Share	*18*	**P0.57**	P0.11	P0.63

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2023**	2022	2021
NET INCOME		**P30,863,382**	P5,998,222	P33,669,054
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss				
Remeasurement gain (loss) on retirement benefits liability	*21*	**(1,066,144)**	8,760,347	386,762
Reduction in tax rate	*22*	**-**	-	573,731
Deferred tax benefit (expense)	*22*	**266,536**	(2,190,087)	(96,691)
		(799,608)	6,570,260	863,802
TOTAL COMPREHENSIVE INCOME		**P30,063,774**	P12,568,482	P34,532,856

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31

	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
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
Balances at January 1, 2023		**P873,182,700**	**P14,657,517**	**P15,466,287**	**P1,690,649,231**	**(P1,680,020,370)**	**P913,935,365**
Net income for the year		-	-	-	**30,863,382**	-	**30,863,382**
Other comprehensive loss for the year	21	-	-	**(799,608)**	-	-	**(799,608)**
Total comprehensive income for the year		-	-	**(799,608)**	**30,863,382**	-	**30,063,774**
Balances at December 31, 2023		**P873,182,700**	**P14,657,517**	**P14,666,679**	**P1,721,512,613**	**(P1,680,020,370)**	**P943,999,139**

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2023**	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P40,657,562**	P12,339,185	P47,099,486
Adjustments for:				
Depreciation	*10, 17*	**37,489,676**	40,610,635	42,965,281
Interest expense on lease liability	*20*	**13,197,049**	13,560,167	13,894,621
Unrealized foreign exchange loss (gain)		**4,887,922**	(21,972,092)	(9,491,318)
Retirement benefits cost	*21*	**3,780,654**	3,664,899	3,142,494
Provision for (reversal of) impairment losses on receivables	*5, 17, 25*	**299,422**	(211,593)	(736,371)
Reversal of impairment on property and equipment	*10*	**-**	(34,756,269)	-
Interest income	*4, 9, 14*	**(22,837,181)**	(9,823,215)	(5,199,246)
Equity in net income of an associate	*8*	**(1,662,758)**	(976,374)	(1,587,026)
Operating income before working capital changes		**75,812,346**	2,435,343	90,087,921
Decrease (increase) in:				
Receivables		**(26,235,875)**	41,102,350	21,545,834
Due from related parties		**(361,790)**	13,306,418	4,677,188
Inventories		**(772,620)**	(1,678,071)	604,220
Prepaid expenses and other current assets		**(2,815,452)**	(92,890,993)	(10,341,338)
Other noncurrent assets		**(573,729)**	6,415,621	(2,050,573)
Increase (decrease) in:				
Accounts payable and accrued expenses		**48,908,421**	1,629,754	4,676,170
Refundable deposits		**26,667**	99,736,489	(753,169)
Due to related parties		**16,470,363**	900,924	4,150,521
Other current liabilities		**3,528,723**	26,123,054	14,442,817
Net cash generated from operations		**113,987,054**	97,080,889	127,039,591
Interest received		**22,837,181**	9,823,215	5,203,771
Income taxes paid		**(12,903,717)**	(2,021,008)	(1,162,457)
Retirement benefits paid	*21*	**(1,408,443)**	(956,873)	(3,181,692)
Net cash provided by operating activities		**122,512,075**	103,926,223	127,899,213

Forward

	Note	2023	2022	2021
		Years Ended December 31		
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends received from an associate	*8*	**P1,600,000**	P1,400,000	P1,400,000
Cash advances to suppliers	*11*	**(27,070,663)**	-	-
Additions to property and equipment	*10*	**(21,013,220)**	(5,725,349)	(9,327,668)
Net cash used in investing activities		**(46,483,883)**	(4,325,349)	(7,927,668)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest payment of lease liability	*20*	**(13,197,049)**	(13,560,167)	(21,581,936)
Principal payment of lease liability	*20*	**(4,600,559)**	(4,237,441)	(5,737,392)
Net cash used in financing activities		**(17,797,608)**	(17,797,608)	(27,319,328)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(4,887,922)**	21,972,092	9,491,318
NET INCREASE IN CASH AND CASH EQUIVALENTS		**53,342,662**	103,775,358	102,143,535
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*4*	**490,020,736**	386,245,378	284,101,843
CASH AND CASH EQUIVALENTS AT END OF YEAR	*4*	**P543,363,398**	P490,020,736	P386,245,378

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

<u>Statement of Compliance</u>
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 8, 2024.

<u>Basis of Measurement</u>
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 plan assets, if any.

<u>Functional and Presentation Currency</u>
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 Judgments, Estimates and Assumptions
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 amounts 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 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.

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 which commenced on August 23, 2022. However, the right to use the asset is dependent on the ability of the lessee to obtain a license to operate its intended business from the government. Since the 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.

On February 20, 2023, the lessee obtained the license to operate from PAGCOR and started its operation in February 2024. Accordingly, rent income recognized in 2023 arising from this lease agreement amounted to P71,945,190 (nil in 2022 and 2021, see Note 20).

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).

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 P299,422 for the year ended 2023 and nil for the years ended 2022 and 2021, respectively (see Note 17). As at December 31, 2023 and 2022, allowance for expected credit losses on receivables amounted to P14,387,728 and P1,163,806, respectively (see Notes 5 and 25). The carrying amount of receivables - net amounted to P118,139,338 and P92,202,889 as at December 31, 2023 and 2022, 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, 2023 and 2022, the carrying amount of property and equipment amounted to P533,857,730 and P550,334,183 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 at December 31, 2023 and 2022, recognized deferred tax assets amounted to P23,399,301 and P20,627,358, respectively (see Note 22). As at December 31, 2022, the Company's unrecognized deferred tax assets amounted to P3,573,673 as the management does not expect to have sufficient future taxable profit against which the Company can utilize the benefits therefrom.

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 P30,868,533 and P27,430,178 as at December 31, 2023 and 2022, respectively. The retirement benefits cost recognized in profit or loss amounted to P3,780,654, P3,664,899 and P3,142,494 for the years ended December 31, 2023, 2022 and 2021, respectively. Cumulative actuarial gain amounted to P19,555,572, P20,621,716 and P11,861,369 as at December 31, 2023, 2022 and 2021, 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.

In 2022 and 2021, the Company's property and equipment were considered at risk of impairment 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 continue to recover and sustain its financial performance (see Note 27).

No impairment loss was recognized for the years ended December 31, 2023, 2022 and 2021 (see Note 10). The impairment loss recognized in prior years amounting to P34,756,269 was fully reversed on 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, 2023 and 2022 (see Note 26).

3. Summary of Material 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, 2023 that have a material impact on the Company's financial statements except for the changes in accounting policies as explained below.

Adoption of Amendments to Standards
The Company has adopted the following amendments to standards starting January 1, 2023 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any material 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 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, assisting companies to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

The Company reviewed the accounting policies and although the amendments did not result in any changes to the accounting policies themselves, updates were made to the accounting policy information disclosed in Note 3 Material Accounting Policies in certain instances in line with the amendments.

▪ *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. 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.

<u>Standards Issued But Not Yet Adopted</u>
A new standard and a number of amendments to standards are effective for annual periods beginning after January 1, 2023. 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 material impact on the Company's financial statements.

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, 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 Noncurrent Liabilities with Covenants - 2022 amendments (Amendments to PAS 1).* 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 noncurrent 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 noncurrent 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.

Effective January 1, 2025

- *PFRS 17, Insurance Contracts, replaces the interim standard, PFRS 4, Insurance Contracts.* Reflecting the view that an insurance contract combines features of both a financial instrument and a service contract, and considering the fact that many insurance contracts generate cash flows with substantial variability over a long period, PFRS 17 introduces a new approach that:

  a) combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract;

  b) presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and

  c) requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income.

Under PFRS 17, groups of insurance contracts are measured based on fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policy holders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfilment cash flows remeasured at each reporting date to reflect current estimates.

Simplifications or modifications to the general measurement model apply to groups of insurance contracts measured using the 'premium allocation approach', investment contracts with discretionary participation features, and reinsurance contracts held.

PFRS 17 brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer's financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

PFRS 17 is effective for annual periods beginning on or after January 1, 2025. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. There is also a transition option allowing presentation of comparative information about financial assets using a classification overlay approach on a basis that is more consistent with how PFRS 9, *Financial Instruments*, will be applied in future reporting periods. Early application is permitted for entities that apply PFRS 9 on or before the date of initial application of PFRS 17.

- *Lack of Exchangeability (Amendments to PAS 21, The Effects of Changes in Foreign Exchange Rates).* The amendments clarify that a currency is exchangeable into another currency when a company is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

  When a currency is not exchangeable, a company needs to estimate a spot rate. The objective in estimating the spot rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments do not specify how to estimate the spot exchange rate to meet the objective and an entity can use an observable exchange rate without adjustment or another estimation technique.

  The amendments require new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements, including the nature and financial impacts of the currency not being exchangeable, the spot exchange rate used, the estimation process, and risks to the company because the currency is not exchangeable.

The amendments apply for annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted. Comparative information is not restated and the effect of initially applying the amendments are adjusted to the opening balance of retained earnings, or to the cumulative amount of translation differences if the company uses a presentation currency other than its functional currency.

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 instrument.

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.

Assessment Whether Contractual Cash Flows are Solely Payments of Principal and Interest. For purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time for other basic lending risks and costs, (e.g., liquidity risk and administrative costs), as well as profit margin. The assessment includes whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Company considers the following in making the assessment:

- contingent events that would change the amount or timing of cash flows;

- terms that may adjust the contractual coupon rate, including variable rate features;

- prepayment and extension features; and

- terms that limit the Company's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

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 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 statements 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 statements of comprehensive income, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

<u>Derecognition of Financial Instruments</u>
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.

<u>Determination of Fair Values</u>
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).

<u>Inventories</u>
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.

Inventories are derecognized upon sale or when there are no expected future benefits from disposal and are recognized under "Costs of sales and services" account in the statements of profit or loss.

<u>Prepayments and Other Currents Assets</u>
Prepayments represent expenses not yet incurred but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are recognized in profit or loss as they are consumed or expired with the passage of time.

Other current assets pertain to assets which are expected to be realized within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

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 accumulated 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 depreciated 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 fair value less costs of disposal or value in use. The 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, less the costs attributable to the disposal of an asset or CGU. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset or CGU and from its disposal at the end of its useful life. 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs to. An impairment loss is recognized in profit or loss in those expense categories consistent with the function of the impaired asset only if the carrying amount of an asset exceeds its recoverable amount.

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, with a 15 to 30-day credit term.

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 monetary 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
The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases and availed the practical expedient for exemption. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

<u>Taxes</u>
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 Company 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 deferred tax 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 deferred tax 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 deferred tax 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

Related party relationship exists when one party has the ability to control, directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making the financial and operating decisions. Such relationship also exists between and/or among entities under common control with the reporting enterprises and their key management personnel, directors, or its stockholders. 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	2023	2022
Cash on hand and in banks		**P133,483,992**	P169,762,493
Short-term investments		**409,879,406**	320,258,243
	25	**P543,363,398**	P490,020,736

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 4.95%, 0.05% to 4.33% and 0.05% to 0.10% in 2023, 2022 and 2021, respectively. Interest income earned from this account amounted to P18,162,181, P5,148,215 and P524,246 for the years ended December 31, 2023, 2022 and 2021, respectively.

5. Receivables - net

This account consists of:

	Note	2023	2022
Trade:			
Charge customers	*25*	**P44,420,107**	P19,746,799
Others		**70,561,967**	65,697,740
		114,982,074	85,444,539
Utility charges		**8,886,799**	282,246
Interest		**2,488,695**	2,214,894
Advances to employees		**944,962**	851,384
Others		**5,224,536**	4,573,632
		132,527,066	93,366,695
Less allowance for impairment losses on trade receivables	*25*	**(14,387,728)**	(1,163,806)
	25	**P118,139,338**	P92,202,889

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 P45,703,071, in 2023 and 2022, 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:

	Amount
Balance at January 1, 2022	P14,299,899
Reversal and write-off in 2022	(13,136,093)
Balance at December 31, 2022	1,163,806
Provisions in 2023	299,422
Reclassification	12,924,500
Balance at December 31, 2023	**P14,387,728**

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

6. Inventories

Inventories carried at cost consists of:

	2023	2022
Engineering supplies	**P3,869,067**	P3,414,618
Food	**1,967,476**	1,485,318
General supplies	**754,690**	1,041,602
Beverage and tobacco	**431,464**	178,834
Others	**89,034**	218,739
	P7,111,731	P6,339,111

There was no write down of inventories to NRV in 2023, 2022 and 2021. Cost of goods sold recognized in profit or loss amounted to P62,302,219, P40,372,073 and P30,730,623, in 2023, 2022 and 2021, respectively (see Note 16).

7. Prepaid Expenses and Other Current Assets

This account consists of:

	2023	2022
Prepaid expenses	**P48,100,175**	P33,672,435
Creditable withholding VAT	**25,513,001**	31,348,151
Input VAT	**11,159,965**	-
Utilities deposit	**203,573**	16,070,885
Others	**-**	1,069,791
	P84,976,714	P82,161,262

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:

	2023	2022
Acquisition cost	**P48,200,000**	P48,200,000
Accumulated share in net earnings:		
Balance at beginning of year	**1,775,224**	2,198,850
Equity in net income	**1,662,758**	976,374
Dividends received	**(1,600,000)**	(1,400,000)
Balance at end of year	**1,837,982**	1,775,224
	P50,037,982	P49,975,224

A summary of the information of HLC as follows:

	2023	2022
Current assets	**P34,410,101**	P34,430,730
Noncurrent assets	**121,830,382**	121,830,382
Current liabilities	**(7,043,753)**	(7,352,723)
Noncurrent liability	**(78,000,000)**	(78,000,000)
Net assets (100%) - net	**71,196,730**	70,908,389
Add: Subscription receivable	**54,000,000**	54,000,000
	P125,196,730	P124,908,389
Company's share of net assets (40%)	**P50,078,692**	P49,963,356
Revenue	**P17,797,608**	P17,797,608
Net income/total comprehensive income (100%)	**P4,156,895**	P2,440,936
Company's share in net income/total comprehensive income (40%)	**P1,662,758**	P976,374

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 amount of P72,300,000 as at December 31, 2023 and 2022 and is collectable on demand with interest rate of 5% per annum (see Note 14).

Interest income earned in 2023, 2022 and 2021 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, 2022	P1,040,328,696	P400,215,537	P7,438,511	P385,157	P178,571,220	P1,626,939,121
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
Additions	20,518,756	494,464	-	-	-	21,013,220
Reclassification	4,490,596	(7,021,192)	-	-	-	(2,530,596)
Balance, December 31, 2023	**1,069,543,932**	**395,208,274**	**7,438,511**	**385,157**	**178,571,220**	**1,651,147,094**
Accumulated Depreciation						
Balance, January 1, 2022	621,775,291	387,224,537	6,722,860	385,157	25,611,807	1,041,719,652
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
Depreciation during the year	26,040,657	2,744,783	166,967	-	8,537,269	37,489,676
Reclassification	(383,383)	(2,147,216)	-	-	-	(2,530,599)
Balance, December 31, 2023	**674,811,022**	**391,968,329**	**7,438,511**	**385,157**	**42,686,345**	**1,117,289,364**
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	-	-	-	-	-	-
Reversals	-	-	-	-	-	-
Balance, December 31, 2023	**-**	**-**	**-**	**-**	**-**	**-**
Carrying Amount						
December 31, 2022	P395,380,832	P10,364,240	P166,967	P -	P144,422,144	P550,334,183
December 31, 2023	**P394,732,910**	**P3,239,945**	**P -**	**P -**	**P135,884,875**	**P533,857,730**

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 11% in 2023 and 12% in 2022.

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 2023 and 2022.

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 2023 and 2022.

No impairment loss was recognized in 2023, 2022 and 2021. 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 2023
Discount rate	**11.2%**
Terminal value rate	**10.0%**

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

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" (nil during the year ended December 31, 2023, see Note 17).

11. Other Noncurrent Assets

This account consists of:

	Note	**2023**	2022
Lease deposit	*14, 20, 25*	**P78,000,000**	P78,000,000
Advances to suppliers		**27,070,663**	-
Miscellaneous deposits		**8,582,718**	8,008,989
Others		**1,010,000**	1,010,000
		P114,663,381	P87,018,989

Advances to suppliers pertain to the cash advances made to the ongoing renovation of the Company's property.

Miscellaneous deposits consist of utility and rent deposits.

12. Accounts Payable and Accrued Expenses

This account consists of:

	Note	**2023**	2022
Trade		**P75,330,739**	P46,700,958
Accrued other liabilities		**13,770,000**	4,846,249
Accrued rent	*14*	**9,521,720**	4,760,860
Accrued payroll		**9,520,041**	4,702,322
Accrued utilities		**3,990,814**	2,214,505
	25	**P112,133,314**	P63,224,894

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	**2023**	2022
Output VAT payable		**P33,177,392**	P22,664,974
Customer credit balance		**9,217,454**	3,939,174
Payable to government agencies		**6,065,614**	4,294,251
Payable to employees		**5,339,119**	3,076,182
Deposits for utilities		**5,184,148**	18,108,648
Rewards redemption payable		**387,454**	367,954
Others		**1,715,035**	5,106,310
	25	**P61,086,216**	P57,557,493

The customer credit balance refers to the guest's advance payment as well as any overpayment intended for future transaction application. These are generally recognized as revenue within 30 days upon cash receipt.

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:

				Outstanding Balance			
Category/Transaction	**Year**	***Note***	**Amount of the Transaction**	**Amounts owed by Related Parties**	**Amounts owed to Related Parties**	**Terms**	**Conditions**
Associate							
▪ Lease deposit	**2023**	*11, 20*	**P -**	**P78,000,000**	**P -**	Required lease deposit on the leased land	Collectable upon termination of the contract
	2022		-	78,000,000	-		
	2021		-	78,000,000	-		
▪ Interest income	**2023**	*14b, 20*	**3,900,000**	**1,950,000**	**-**	5% per annum of the lease deposit	Unsecured; no impairment
	2022		3,900,000	1,950,000	-		
	2021		3,900,000	1,950,000	-		
▪ Accrued rent	**2023**	*12, 14*	**17,297,608**	**-**	**9,521,720**	Due and demandable	Unsecured
	2022		17,297,608	-	4,760,860		
	2021		17,297,608	-	-		
▪ Rent income	**2023**	*14e*	**180,000**	**90,000**	**-**	Due and demandable; non interest bearing	Unsecured
	2022		180,000	-	-		
	2021		180,000	-	-		
Under Common Control							
▪ Management and incentive fees	**2023**	*14d, 17*	**13,134,218**	**-**	**56,133,527**	Due and demandable; non interest bearing	Unsecured
	2022		10,613,328	-	44,838,608		
	2021		19,178,154	-	45,316,898		
▪ Advances	**2023**	*14a*	**45,336**	**8,916,881**	**7,523,008**	Due and demandable; non interest bearing	Unsecured; no impairment
	2022		5,702,893	8,769,674	2,347,564		
	2021		1,839,438	104,000	968,350		
▪ Loan	**2023**	*9, 14c*	**-**	**15,500,000**	**-**	Due and demandable; interest bearing	Unsecured; no impairment
	2022		-	15,500,000	-		
	2021		-	15,500,000	-		
▪ Interest income	**2023**	*9, 14c*	**775,000**	**387,500**	**-**	5% per annum of the loan receivable	Unsecured; no impairment
	2022		775,000	322,917	-		
	2021		775,000	322,917	-		
▪ Rent income	**2023**	*14e*	**420,000**	**60,000**	**-**	Due and demandable; non interest bearing	Unsecured
	2022		420,000	-	-		
	2021		420,000	-	-		
Key Management Personnel of the Entity							
▪ Short term employee benefits	**2023**	*14f*	**18,825,848**	**-**	**-**		
	2022		17,782,052	-	-		
	2021		14,423,744	-	-		
TOTAL	**2023**			**P104,904,381**	**P73,178,255**		
TOTAL	2022			P104,542,591	P51,947,032		
TOTAL	2021			P95,876,917	P46,285,248		

Amounts owed by related parties is included in the following accounts:

	Note	2023	2022
Loan receivable	*9*	**P15,500,000**	P15,500,000
Due from related parties		**11,404,381**	11,042,591
Other noncurrent assets	*11, 20*	**78,000,000**	78,000,000
		P104,904,381	P104,542,591

Amounts owed to related parties is included in the following accounts:

	Note	2023	2022
Due to related parties		**P63,656,535**	P47,186,172
Under accounts payable and accrued expenses:			
Accrued rent	*12*	**9,521,720**	4,760,860
		P73,178,255	P51,947,032

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 annual interest income amounted to P3,900,000.

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 annual interest income amounted to P775,000.

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 on 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, 2023, which was then subsequently renewed from January 1 until December 31, 2024.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:

	2023	2022	2021
Executive officers	**P11,156,199**	P12,076,725	P8,500,527
Directors of hotel operations	**7,669,649**	5,705,327	5,923,217
	P18,825,848	P17,782,052	P14,423,744

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.

Amounts owned by and to related parties are normally settled in cash. As at December 31, 2023 and 2022, the Company determined that amounts owed by related parties are fully recoverable, hence, no impairment loss has been recognized.

15. Payroll and Employee Benefits

This account consists of:

	2023	2022	2021
Food and beverage	**P30,963,233**	P21,443,678	P12,223,772
Rooms	**33,621,756**	19,257,839	16,564,250
Hotel overhead departments:			
Administrative and general	**33,240,057**	27,814,008	26,204,622
Sales and marketing	**12,730,590**	7,953,833	8,555,634
Engineering	**12,235,221**	10,128,056	8,396,327
Human resources	**3,527,435**	2,921,264	2,631,945
Other operating departments	**481,106**	410,670	216,528
	P126,799,398	P89,929,348	P74,793,078

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

	Note	**2023**	2022	2021
Cost of sales and services	*16*	**P65,066,094**	P41,112,187	P29,004,550
Administrative expenses	*17*	**61,733,304**	48,817,160	45,788,528
		P126,799,398	P89,929,347	P74,793,078

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	2023	2022	2021
Payroll and employee benefits	*15*	**P65,066,094**	P41,112,187	P29,004,550
Food and beverage	6	**43,256,954**	28,334,689	17,729,947
Guest supplies	6	**8,585,335**	5,947,072	5,292,779
Commission		**8,360,526**	6,275,857	43,445
Operating supplies	6	**7,711,159**	2,571,770	5,224,133
Online selling and marketing tools		**6,994,052**	2,754,269	731,238
Permits and licenses		**3,174,449**	3,108,963	3,180,905
Transport charges		**3,059,921**	1,428,463	318,784
Kitchen fuel	*6*	**1,987,859**	1,748,260	1,123,137
Printing and stationery		**1,915,816**	1,058,003	792,555
Housekeeping expenses		**1,550,485**	1,502,801	610,718
Music and entertainment		**994,506**	277,299	4,902
Cleaning supplies	*6*	**760,912**	1,770,282	1,360,627
Laundy and dry cleaning		**565,777**	576,544	682,357
Other operating departments		**40,985**	675,754	622,402
Miscellaneous		**3,910,124**	3,984,078	3,942,298
		P157,934,954	P103,126,291	P70,664,777

17. Administrative Expenses

This account consists of:

	Note	**2023**	2022	2021
Hotel Overhead Departments				
Payroll and employee benefits	*15*	**P61,733,304**	P48,817,160	P45,788,528
Management and incentives fees	*14*	**13,134,218**	10,613,328	19,178,154
Data processing		**5,198,450**	3,014,579	3,166,544
Credit card and commission		**4,998,871**	2,995,780	460,427
Dues and subscription		**4,810,440**	1,387,108	383,826
Advertising		**3,514,326**	2,978,226	501,934
Telecommunications		**2,652,951**	2,853,884	3,544,414
Awards and social activities		**1,745,876**	1,007,481	1,016,870
Entertainment		**581,287**	508,077	448,584
Miscellaneous		**5,099,615**	2,351,010	3,164,113
		103,469,338	76,526,633	77,653,394
Corporate Office				
Depreciation	*10*	**37,489,676**	40,610,635	42,965,281
Property tax		**9,651,911**	9,265,202	9,265,751
Insurance		**9,219,124**	9,388,914	9,145,748
Professional fees		**8,378,717**	5,115,374	7,087,706
Corporate office payroll and related expense		**3,079,450**	1,941,272	1,685,095
Taxes and licenses		**1,803,244**	93,760	192,637
Director's fees/allowances		**799,600**	799,600	799,600
Office supplies		**713,030**	547,910	871,498
Provision for impairment losses on receivables	*25*	**299,422**	-	-
Transportation and travel		**60,963**	7,313	31,116
Commission expense		**-**	7,557,268	-
Reversal of Impairment loss on property and equipment	*10*	**-**	(34,756,269)	-
Miscellaneous		**2,582,403**	2,492,821	1,329,142
		74,077,540	43,063,800	73,373,574
Power light and and water		**84,505,670**	68,556,846	56,126,157
Property operations and maintenance		**13,762,487**	11,421,491	12,298,962
		P275,815,035	P199,568,770	P219,452,087

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	**2023**	2022	2021
Weighted average number of common shares: Balance at beginning and end of year	*24*	**53,717,369**	53,717,369	53,717,369

	Note	**2023**	2022	2021
Net income for the year		**P30,863,382**	P5,998,222	P33,669,054
Divided by weighted average number of outstanding shares	*24*	**53,717,369**	53,717,369	53,717,369
		P0.57	P0.11	P0.63

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

19. Refundable Deposits

This account consists of:

	Note	**2023**	2022
PAGCOR	*5, 25*	**P25,349,438**	P25,349,438
Goldwinnphil Inc.		**98,998,980**	98,998,980
Others		**2,548,791**	2,522,124
		126,897,209	126,870,542
Less: Current portion		**126,897,209**	126,402,542
		P -	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 August 23, 2022, the Company entered into a lease contract with Goldwinnphil Inc. (or the “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, lessee has to pay certain security and utilities deposits amounting to P88,998,980. On February 20, 2023, the lessee has obtained the License to Operate from the PAGCOR, for its operation in the leased premises. The lessee started its operation only in February 2024.

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 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 P126,897,209 and P126,870,542 as at December 31, 2023 and 2022, respectively, and are shown as “Refundable deposits” in the statements of financial position (see Note 19). Rent income amounted to P74,280,488, P1,687,396 and P600,000 in 2023, 2022 and 2021, respectively, and is included 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 2023 and 2022, 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:

	2023	2022
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:

	2023	2022
Beginning balance	**P163,524,676**	P167,762,117
Interest expense during the year	**13,197,049**	13,560,167
Payments made	**(17,797,608)**	(17,797,608)
Ending balance	**P158,924,117**	P163,524,676

Payments included in the statements of cash flows are as follows:

	2023	2022
Interest payment	**P13,197,049**	P13,560,167
Principal payment	**4,600,559**	4,237,441
	P17,797,608	P17,797,608

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

	2023	2022
Current	**P4,994,788**	P4,600,559
Noncurrent	**153,929,329**	158,924,117
	P158,924,117	P163,524,676

Contractual cashflows are as follows:

Lease Liability under PFRS 16	2023	2022
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	**188,358,018**	206,155,626
	P277,346,058	P295,143,666

As at December 31, 2023 and 2022, total accrued rent outstanding recorded under 'Accounts payable and accrued expenses' account in the statements of financial position amounted to P9,521,720 and P4,760,860, respectively (see Note 12).

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, 2023.

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 P30,868,533 and P27,430,178 as at December 31, 2023 and 2022, respectively.

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

	2023	2022
Balance at January 1	**P27,430,178**	P33,482,499
Included in Profit or Loss		
Interest cost	**1,920,112**	1,640,642
Current service cost	**1,860,542**	2,024,257
	3,780,654	3,664,899
Included in Other Comprehensive Income (OCI)		
Remeasurement loss (gain):		
Actuarial loss (gain) arising from:		
Financial assumptions	**665,337**	(3,969,844)
Experience adjustment	**400,807**	(4,790,503)
	1,066,144	(8,760,347)
Others		
Benefits paid	**(1,408,443)**	(956,873)
Balance at December 31	**P30,868,533**	P27,430,178

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:

	2023	2022	2021
Interest cost	**P1,920,112**	P1,640,642	P1,186,796
Current service cost	**1,860,542**	2,024,257	1,955,698
Retirement benefits cost	**P3,780,654**	P3,664,899	P3,142,494

The remeasurement gains on retirement liability, before deferred income taxes, recognized under "Other comprehensive income" in the statements of comprehensive income and statements of changes in equity are as follows:

	2023	2022	2021
Cumulative actuarial gain at the beginning of the year	**P20,621,716**	P11,861,369	P11,474,607
Actuarial gain (loss) arising from:			
Financial assumptions	**(665,337)**	3,969,844	3,731,496
Experience adjustment	**(400,807)**	4,790,503	(3,344,734)
Cumulative actuarial gain at the end of the year	**P19,555,572**	P20,621,716	P11,861,369

The remeasurement gains on retirement liability, net of deferred tax, amounted to P14,666,679, P15,466,287 and P8,896,027 as at December 31, 2023, 2022 and 2021, respectively, as presented in the statements of changes in equity.

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

	2023	2022	2021
Discount rate	**6.60%**	7%	5%
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:

2023	**Increase**	**Decrease**
Discount rate (1% movement)	**(P3,399,556)**	**P3,399,556**
Future salary increase rate (1% movement)	**3,214,457**	**(3,214,457)**

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)

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, 2023 and 2022.

The maturity analysis of the benefit payments is as follows:

			2023		
	Carrying Amount	**Contractual Cash Flows**	**1 - 5 Years**	**6 - 10 Years**	**More than 10 Years**
Retirement benefits liability	**P -**	**P87,611,305**	**P22,101,253**	**P25,613,394**	**P39,896,658**

			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

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 are as follows:

	2023	2022	2021
Current tax expense	**P12,903,717**	P2,021,008	P1,162,457
Deferred tax expense (benefit):			
Reduction in tax rate	**-**	-	6,050,661
Origination and reversal of temporary differences	**(3,109,537)**	4,319,955	6,217,314
	P9,794,180	P6,340,963	P13,430,432

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

	2023	2022	2021
Income before income tax	**P40,657,562**	P12,339,185	P47,099,486
Income tax expense at statutory tax rate	**P10,164,391**	P3,084,796	P11,774,872
Additions to (reductions in) income tax resulting from the tax effects of:			
Remeasurement of previously recorded DTA	**5,226,903**	-	6,470,685
Income subjected to final tax	**(4,540,545)**	(73,412)	(80,723)
Application of NOLCO	**(497,629)**	-	-
Equity in net income of an associate	**(415,690)**	(244,094)	(396,757)
Other non taxable income	**(143,250)**	-	-
Unrecognized deferred tax assets on NOLCO and MCIT	**-**	3,573,673	(4,349,133)
Non deductible expense	**-**	-	11,488
	P9,794,180	P6,340,963	P13,430,432

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

2023	**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	**P10,139,561**	**P2,681,016**	**P -**	**P12,820,577**	**P12,820,577**	**P -**
Excess of ROU asset over lease liabilty	**4,775,634**	**984,178**	**-**	**5,759,812**	**5,759,812**	**-**
Allowance for impairment loss on receivables	**3,522,076**	**74,855**	**-**	**3,596,931**	**3,596,931**	**-**
Unrealized foreign exchange gain	**(5,493,023)**	**6,715,004**	**-**	**1,221,981**	**1,221,981**	**-**
Remeasurement gain on retirement benefit liability	**2,190,087**	**(7,345,516)**	**266,536**	**(4,888,893)**	**-**	**(4,888,893)**
Net tax assets and liabilities	**P15,134,335**	**P3,109,537**	**P266,536**	**P18,510,408**	**P23,399,301**	**(P4,888,893)**

**Including adjustment to deferred tax asset recognized in 2023 amounting to P5,226,903.*

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 -
Excess of ROU asset over lease liabilty	2,532,961	2,242,673	-	4,775,634	4,775,634	-
Allowance for impairment loss on receivables	3,574,974	(52,898)	-	3,522,076	3,522,076	-
Remeasurement gain on retirement benefit liability	(2,965,342)	-	5,155,429	2,190,087	2,190,087	-
Unrealized foreign exchange gain	(2,372,829)	(3,120,194)	-	(5,493,023)	-	(5,493,023)
Allowance for impairment loss on property and equipment	8,689,067	(8,689,067)	-	-	-	-
Net tax assets and liabilities	P21,070,647	(P11,091,741)	P5,155,429	P15,134,335	P20,627,358	(P5,493,023)

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.

Deferred tax assets of the following items have not been recognized:

	2023	2022
MCIT	**P -**	P3,573,673
NOLCO	**-**	1,990,517
	P -	P5,564,190

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	(P1,990,517)	P -	December 31, 2025
2018	27,384,900	(27,384,900)	-	December 31, 2021
	P29,375,417	(P29,375,417)	P -	

The Company applied P1,990,517 NOLCO against its taxable income in 2023.

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/ Applied	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	(P6,997,219)	P3,183,465	

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.

Effective on July 1, 2023, under Revenue Memorandum Circular No. 69-2023, MCIT rate was reverted to 2% based on the gross income of such corporations.

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

	2023	2022
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, 2023 and 2022, 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, 2023 and 2022 represents the maximum credit exposure. The maximum exposure to credit risk at the reporting dates is as follows:

	Note	**2023**	2022
Cash and cash equivalents*	*4*	**P541,582,866**	P488,182,306
Receivables - net	*5, 14*	**118,139,338**	92,202,889
Lease deposit	*11*	**78,000,000**	78,000,000
Loan receivable	*14*	**15,500,000**	15,500,000
Due from related parties	*14*	**11,404,381**	11,042,591
		P764,626,585	P684,927,786

**Excluding cash on hand of P1,780,532 and P1,838,430 in 2023 and 2022, respectively.*

Details of trade receivables as at December 31, 2023 and 2022 by type of customer are as follows:

	Note	2023	2022
Credit cards		**P15,031,776**	P7,514,875
Embassy and government		**55,928,778**	49,901,770
Airlines		**10,035,195**	8,135,351
Corporations		**1,881,316**	1,460,727
Travel agencies		**1,998,349**	3,425,420
Others		**30,106,660**	15,006,396
	5	**114,982,074**	85,444,539
Less allowance for impairment losses on trade receivables - charge customers		**14,387,728**	1,163,806
		P100,594,346	P84,280,733

Others include unallocated accounts pending classification to its proper type of customers as at December 31, 2023.

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, 2022		P14,299,899
Reversal and write-off in 2022		(13,136,093)
Balance at December 31, 2022	*5*	1,163,806
Provision in 2023		299,422
Reclassification		12,924,500
Balance at December 31, 2023	*5*	**P14,387,728**

The aging of trade receivables as at December 31, 2023 and 2022 is as follows:

	2023			2022		
	Gross Amount	**Impairment**	**Carrying Amount**	Gross Amount	Impairment	Carrying Amount
Current	**P35,225,565**	**P -**	**P35,225,565**	P11,235,963	P -	P11,235,963
Over 30 days	**1,712,885**	**-**	**1,712,885**	7,952,874	-	7,952,874
Over 60 days	**894,769**	**-**	**894,769**	8,093,767	-	8,093,767
Over 90 days	**55,037,423**	**(14,387,728)**	**40,649,695**	36,050,503	(1,163,806)	34,886,697
	P92,870,642	**(P14,387,728)**	**P78,482,914**	P63,333,107	(P1,163,806)	P62,169,301

As at December 31, 2023 and 2022, receivables from PAGCOR included under Embassy and government amounted to P45,703,071, 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, 2023			
	Grade A	**Grade B**	**Grade C**	**Total**
Cash in banks and cash equivalents	**P543,363,398**	**P -**	**P -**	**P543,363,398**
Receivables	**47,167,571**	**-**	**-**	**47,167,571**
Loan receivable	**15,500,000**	**-**	**-**	**15,500,000**
Lease deposit	**78,000,000**	**-**	**-**	**78,000,000**
	P684,030,969	**P -**	**P -**	**P684,030,969**

	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

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, 2023 and 2022. Assets that are credit-impaired are separately presented.

December 31, 2023	**Gross Amount**	**ECL**	**Carrying Amount**
Cash in banks and cash equivalents	**P543,363,398**	**P -**	**P543,363,398**
Receivables	**132,527,066**	**(14,387,728)**	**118,139,338**
Loan receivable	**15,500,000**	**-**	**15,500,000**
Lease deposit	**78,000,000**	**-**	**78,000,000**
	P769,390,464	**(P14,387,728)**	**P755,002,736**

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

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 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, 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, 2023 and 2022 amounted to P368,768,064 and P298,971,660, respectively, which are less than its total current assets of P780,495,562 and P697,266,589, 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, 2023 and 2022, assets denominated in US$ include cash in banks amounting to P148,492 (US$2,680) and P5,848,349 (US$104,571) respectively; short-term investment amounting to P234,605,028 (US$4,356,915) and P320,258,242 (US$5,726,377), respectively.

In translating foreign currency-denominated monetary assets into Php amounts, the exchange rates used were P55.40 and P55.76 to US$1 as at December 31, 2023 and 2022, 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
2023	**10%**	**P23,475,352**	**P17,606,514**
	(10%)	**(23,475,352)**	**(17,606,514)**
2022			
	10%	34,361,873	25,771,405
	(10%)	(34,361,873)	25,771,405

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 financial liabilities shown in the statements of financial position are as follows:

	2023		2022	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Cash and cash equivalents	**P543,363,398**	**P543,363,398**	P490,020,736	P490,020,736
Receivables - net	**118,139,338**	**118,139,338**	92,202,889	92,202,889
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	**112,133,314**	**112,133,314**	63,224,894	63,224,894
Due to related parties	**63,656,535**	**63,656,535**	47,186,672	47,186,672
Refundable deposits	**126,897,209**	**126,897,209**	126,870,542	126,870,542
Other current liabilities*	**21,843,210**	**21,843,210**	30,598,268	30,598,268

**Excluding payables to government and Output VAT Payable of P39,243,006 and P26,959,225 in 2023 and 2022, respectively.*

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 amount 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 reported 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 amount 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.

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, 2023 and 2022, 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, 2023 and 2022. The original issue/offer price was P10.00 per share. There were no additional shares registered with the SEC as at December 31, 2023 and 2022.

Based on the Philippine Stock Exchange's website, the Company's traded price per share was P9.75 and P14.38 as at December 31, 2023 and 2022, respectively. The total number of shareholders was 16,629 and 16,038 as at December 31, 2023 and 2022, respectively.

26. Other Matter - BIR 2008 Tax Case

On February 20, 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 December 12, 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 January 20, 2009 to September 30, 2013.

On July 24, 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 February 20, 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 September 21, 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 November 6, 2015, the Company filed its Formal Offer of Documentary Evidence. In two Resolutions dated January 4, 2016 and March 11, 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 June 8, 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 June 2, 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 June 10, 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 September 1, 2016, the CIR informed the CTA that it will adopt its arguments in its Answer as its Memorandum.

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

On March 7, 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 August 24, 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 August 31, 2017, CTA granted the withdrawal of the Motion and submitted the case for decision.

In the Decision rendered on July 4, 2018, 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 July 19, 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.

<u>Amended Decision</u>
On October 30, 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.

<u>MR Filed by CIR</u>
On November 20, 2018, the MR filed by the CIR seeks to pray for a reconsideration of the Amended Decision and to uphold the Decision dated June 4, 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 December 12, 2018 and expected that the same be denied for lack of merit. On March 14, 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 March 21, 2019, the CIR filed an appeal to the CTA En Banc to set aside the Amended Decision. On June 19, 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 June 20, 2019.

On December 2, 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 September 29, 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 October 20, 2020 and the Company has filed its Response to CIR's Motion for Reconsideration on November 11, 2020.

On January 26, 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.

<u>Petition for Review Filed by the CIR</u>
On March 23, 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 March 8, 2021 filed by the CIR with the Philippine Supreme Court which seeks to set aside the CTA En Banc Decision dated September 29, 2020 (Decision) and CTA En Banc Resolution.

The Petition for Review seeks to (i) reverse and set aside the CTA En Banc Decision dated September 29, 2020 and Resolution dated January 19, 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.

On July 11, 2023, the Supreme Court further resolves to deny the CIR's petition for review in its Resolution dated February 22, 2023 for failure of petitioner to sufficiently show that the CTA committed any reversible error in the challenged decision.

On July 27, 2023, the CIR has filed its Motion for Reconsideration with the SC on which the Company filed its comments.

The Company has filed its Position Paper to the Supreme Court and awaiting the court's decision. No further update on the tax case as at April 8, 2024.

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 year 2021, 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.

In 2022, the Hotel fully opened to the public from housing quarantined guests in 2021 and was able to secure rental agreements for the Company's hotel premises.

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 are the tax information/disclosures required for the taxable year ended December 31, 2023:

Based on RR No. 15-2010

A. VAT

1. Output VAT	**P55,661,075**
Account title used	
Basis of the Output VAT:	
Vatable sales	**P439,171,925**
Sales to Government	**24,670,366**
Zero rated sales	**768,832**
Exempt sales	**1,940,477**
	P466,551,600
2. Input VAT	
Beginning of the year	**P -**
Input tax deferred on capital goods from previous period	**2,192,844**
Current year transactions:	
a. Domestic purchases of goods other than capital goods	**7,661,311**
b. Domestic purchases of services	**18,451,497**
Deductions from input tax	**(2,927,008)**
Total allowable Input VAT	**P25,378,644**
Total VAT payable during the year	**P30,282,431**
Less: Applied input VAT and payments during the year	**30,282,431**
Balance at the end of the year	**P -**

B. Withholding Taxes

Tax on compensation and benefits	**P11,573,984**
Creditable withholding taxes	**7,737,469**
	P19,311,453

C. All Other Taxes (Local and National)

Other taxes paid during the year recognized under Administrative Expenses	
Real estate taxes	**P9,651,911**
License and permit fees	**1,803,244**
	P11,455,155

D. Deficiency Tax Assessments and Tax Cases

As at December 31, 2023, 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.

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 TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE BUREAU OF INTERNAL REVENUE

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 the accompanying financial statements of Grand Plaza Hotel Corporation as at and for the year ended December 31, 2023, on which we have rendered our report dated April 10, 2024.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president or any member of the Board of Directors and Stockholders of the Company.

R.G. MANABAT & CO.

ANABELLA R. RESUELLO
Partner
CPA License No. 0125463
Tax Identification No. 941-200-384
BIR Accreditation No. 08-001987-149-2022
Issued January 27, 2022; valid until January 26, 2025
PTR No. MKT 10075194
Issued January 2, 2024 at Makati City

April 10, 2024
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

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, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated April 10, 2024.

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 (PFRSs) 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, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

R.G. MANABAT & CO.

ANABELLA R. RESUELLO
Partner
CPA License No. 0125463
Tax Identification No. 941-200-384
BIR Accreditation No. 08-001987-149-2022
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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, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, included in this Form 17-A, and have issued our report thereon dated April 10, 2024.

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 September 20, 2026
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. The 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.

ANABELLA R. RESUELLO
Partner
CPA License No. 0125463
Tax Identification No. 941-200-384
BIR Accreditation No. 08-001987-149-2022
Issued January 27, 2022; valid until January 26, 2025
PTR No. MKT 10075194
Issued January 2, 2024 at Makati City

April 10, 2024
Makati City, Metro Manila

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AS OF DECEMBER 31, 2023

GRAND PLAZA HOTEL CORPORATION

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

Unappropriated Retained Earnings, beginning of the reporting period		**(P16,599,013)**
Add: Category A: Items that are directly credited to Unappropriated Retained Earnings		
Reversal of Retained Earnings Appropriation/s	P -	
Effect of restatements or prior-period adjustments	-	
Others (describe nature)	-	-
Less: Category B: Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the reporting period	-	
Retained Earnings appropriated during the reporting period	-	
Effects of restatements or prior-period adjustments	-	
Others (describe nature)	-	-
Unappropriated Retained Earnings, as adjusted		**(16,599,013)**
Add/Less: Net Income (loss) for the current year		**30,863,382**
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared	1,662,758	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	-	
Unrealized fair value adjustments (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Unrealized foreign exchange gain of Investment Property	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	-	
Sub-total		**1,662,758**

Forward

Add: **Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)**		
Realized foreign exchange gain, except those attributable to cash and cash equivalents	P -	
Realized fair value adjustments (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Realized foreign exchange gain of Investment Property	-	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	-	
Sub-total		P -
Add: **Category C.3: Unrealized income recognized in profit or loss in prior reporting periods but reversed in the current reporting period (net of tax)**		
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	-	
Reversal of previously recorded fair value adjustments (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Reversal of previously recorded fair value gain of Investment Property	-	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded (describe nature)	-	
Sub-total		-
Adjusted Net Income/Loss		**29,200,624**
Add: **Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)**		
Depreciation on revaluation increment (after tax)	-	
Sub-total		-

Forward

Add/Less: <u>Category E</u>: Adjustment related to relief granted by the SEC and BSP		
Amortization of the effect of reporting relief	P -	
Total amount of reporting relief granted during the year	-	
Others (describe nature)	-	
Sub-total		**P -**
Add/Less: <u>Category F</u>: Other items that should be excluded from the determination of the amount of available for dividend distribution		
Net movement of treasury shares (except for reacquisition of redeemable shares)	-	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	-	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set-up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	(3,109,537)	
Adjustment due to deviation from PFRS/GAAP - gain (loss)	-	
Others (describe nature)	-	
Sub-total		**(3,109,537)**
Total Retained Earnings, end of the reporting period available for dividend		**P9,492,074**

Annex 68-E

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
GRAND PLAZA HOTEL CORPORATION
As of December 31, 2023

Key Performance Indicators	**FORMULA (Amount in Millions)**		**2023**	2022
Current Ratio	Total Current Assets Divide by: Total Current Liabilities Current Ratio	780 369 **2.11**	**2.11**	2.33
Acid Test Ratio	Total Current Assets Less: Inventories Other current assets Quick Assets Divide by: Total Current Liabilities Acid Test Ratio	780 (7) (85) 688 369 **1.86**	**1.86**	2.04
Debt to Equity Ratio	Total Liabilities Divide by: Stockholders Equity	554 944	**0.59**	0.53
Asset to Equity Ratio	Total Assets Divide by: Stockholder's Equity	1,498 944	**1.59**	1.53
Return on Equity	Net Income Total Equity	31 944	**3.28%**	0.66%
Return on Asset	Net Income Divide by: Average Total Assets	31 1,498	**2.07%**	0.43%
Profit before tax Margin Ratio	Profit (Loss) Before Tax Divide by: Total Revenue	40.66 468.30	**8.68%**	4.18%
EBITDA (Earnings before interest, tax, depreciation & amortization	Profit (Loss) Before Tax Add: Depreciation Expenses Interest Expense Less: Foreign Exchange Gain Interest Income Equity in Net Income of Associate EBITDA	40.66 37.50 13.20 (5.19) 22.84 1.66 **72.05**	**P72.05 million**	P33.32 million

Annex 68-J

SCHEDULES

GRAND PLAZA HOTEL CORPORATION

As of December 31, 2023

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	P -	P133,483,992	P133,483,992	P292,772
SHORT TERM INVESTMENTS	-	409,879,406	409,879,406	17,869,409
RECEIVABLES - NET	-	118,139,338	118,139,338	-
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, 2022	Additions	Amounts Collected	Amounts written off	Current	Noncurrent	**Balance December 31, 2023**
HARBOUR LAND CORPORATION	P3,277,435	P3,901,297	P5,228,732	P -	P1,950,000	P -	**P1,950,000**
ELITE HOTEL MANAGEMENT SERVICES PTE	67,200	1,030,321	1,097,521	-	-	-	**-**
ROGO REALTY CORPORATION	110,844	1,189,521	867,529	-	432,836	-	**432,836**
TOTAL	P3,455,479	P6,121,139	P7,193,782	P -	P2,382,836	P -	**P2,382,836**

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

Name and Designation of debtor	Balance December 31, 2022	Additions	Amounts Collected	Amounts written off	Current	Noncurrent	Balance December 2023
	Nothing to report						
TOTAL	-	-	-	-	-	-	-

Schedule D. Long Term Debt

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

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

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
	Nothing to report	
TOTAL	-	-

Schedule F. Guarantees of Securities of Other Isssuers

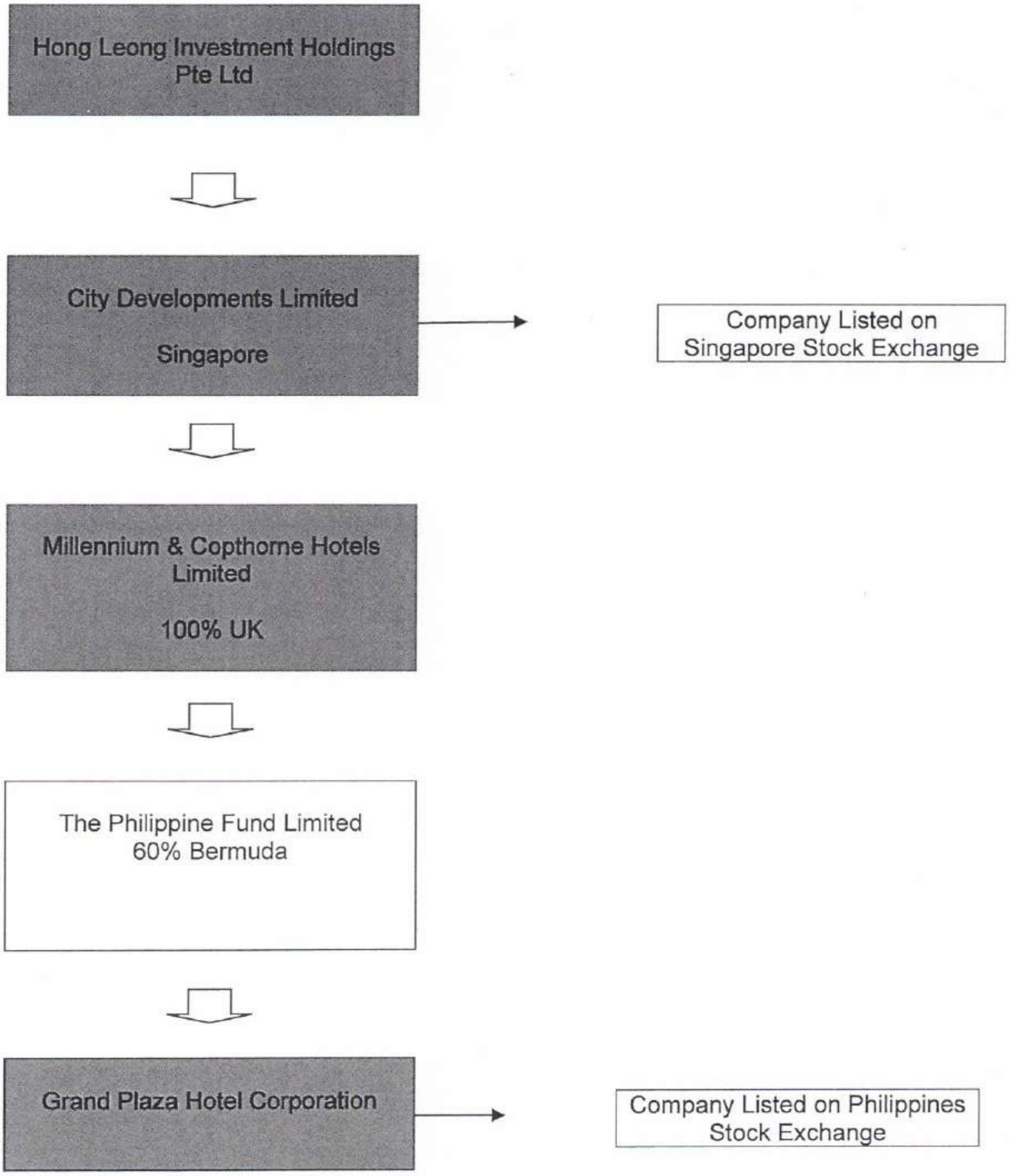
Name of Issuing entity of Securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of Guarantee
	Nothing to report			

Schedule G. 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	Natividad Alejo
					1	Simeon Ken Ferrer
					1	Ricardo Pio Castro
					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
						**6,857,283 - owned by Public
TOTAL	**115,000,000**	**53,717,369**	-	**46,856,081**	**4,005**	-

The Group Structure

The Philippine Fund Limited Group Structure



As at December 31, 2023

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.	: 462400059109193
Amount Payable (Over Remittance)	: -10,560,131.00
Accounting Type	: C - Calendar
For Tax Period	: 12/31/2023
Date Filed	: 04/11/2024
Tax Type	: IT

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

BUREAU OF INTERNAL REVENUE
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APR 12 2024
BY: ERWIN PACINIO
LT DOCUMENT PROCESSING AND QUALITY ASSURANCE DIVISION

Reference No : 462400059109193
Date Filed : April 11, 2024 04:34 PM
Batch Number : 0

Republic of the Philippines
Department of Finance
Bureau of Internal Revenue

For BIR Use Only: BCS/ Item:

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) 12/2023	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)*		12,903,717
15 Less: Total Tax Credits/Payments *(From Part IV Item 55)*		23,463,848
16 Net Tax Payable (Overpayment) *(Item 14 Less Item 15) (From Part IV Item 56)*		(10,560,131)
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)*		(10,560,131)

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
Title of Signatory ___ TIN ___	Title of Signatory ___ TIN ___	4

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)

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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		468,291,460
28 Less: Sales Returns, Allowances and Discounts		0
29 Net Sales/Receipts/Revenues/Fees *(Item 27 Less Item 28)*		468,291,460
30 Less: Cost of Sales/Services		157,934,954
31 Gross Income from Operation *(Item 29 Less Item 30)*		310,356,506
32 Add: Other Taxable Income Not Subjected to Final Tax		0
33 Total Taxable Income *(Sum of Items 31 and 32)*		310,356,506
Less: Deductions Allowable under Existing Law		
34 Ordinary Allowable Itemized Deductions *(From Part VI Schedule I Item 18)*	256,751,121	
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)*	1,990,517	
37 Total Deductions *(Sum of Items 34 to 36)*	258,741,638	
***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)*		51,614,868
40 Applicable Income Tax Rate		25 %
41 Income Tax Due other than Minimum Corporate Income Tax (MCIT) *(Item 39 x Item 40)*		12,903,717
42 MCIT Due *(2% of Item 33)*		4,725,473
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)*		12,903,717
Less: Tax Credits/Payments (attach proof)		
44 Prior Year's Excess Credits Other Than MCIT		16,915,175
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		3,571,297
49 Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter		2,977,376
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)*		23,463,848
56 Net Tax Payable / (Overpayment) *(Item 43 Less Item 55)) (To Part II Item 16)*		(10,560,131)

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

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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 - 602 - 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	256,751,121
e	0
f	0
g	0
h	0
i	0
18 Total Ordinary Allowable Itemized Deductions *(Sum of Items 1 to 17i) (To Part IV Item 34)*	256,751,121

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

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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)*	0
2 Less: Ordinary Allowable Itemized Deductions *(From Part VI Schedule I Item 18)*	0
3 Net Operating Loss*(Item 1 Less Item 2) (To Schedule IIIA, Item 7A)*	0

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		
	Year Incurred	A) Amount	B) NOLCO Applied Previous Year
4		0	0
5	2022	1,990,517	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	0
5	0	1,990,517	0
6	0	0	0
7	0	0	0
8	**Total NOLCO** *(Sum of Items 4D to 7D) (To Part IV, Item 36)*	1,990,517	

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	2021	0	1,162,457	1,162,457
2	2022	0	2,021,008	2,021,008
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	1,162,457
2	0	0	0	2,021,008
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	40,657,562
Add: Non-deductible Expenses/Taxable Other Income	
2 VARIOUS ACCOUNT PER AFS	52,674,408
3	0
4 Total *(Sum of Items 1 to 3)*	93,331,970
Less: A) Non-Taxable Income and Income Subjected to Final Tax	
5 VARIOUS ACCOUNT PER AFS	41,717,102
6	0
B) Special Deductions	
7	0
8	0
9 Total (Sum of Items 5 to 8)	41,717,102
10 Net Taxable Income/(Loss) (Item 4 Less Item 9)	51,614,868

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GRAND PLAZA HOTEL CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of Grand Plaza Hotel Corporation (the "Company") is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2023. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements as at and for the year ended December 31, 2023, and the accompanying Annual Income Tax Return are in accordance with the books and records of the Company, complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to Philippine Financial Reporting Standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) the Company has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

Kwek Eik Sheng
Chairman and President

Yam Kit Sung
Director, General Manager & Chief Financial Officer

Signed this 11 day of April

BUREAU OF INTERNAL REVENUE
APR 12 2024
DOCUMENT PROCESSING AND QUALITY ASSURANCE DIVISION

For BIR Use Only BCS/ Item:

Republic of the Philippines
Department of Finance
Bureau of Internal Revenue

BIR Form No.
1709
December 2020 (ENCS)
Page 1

INFORMATION RETURN ON TRANSACTIONS WITH RELATED PARTY

(FOREIGN AND/OR DOMESTIC)

Enter all required information in CAPITAL LETTERS using BLACK ink. Mark applicable boxes with an "X". Two copies must be filed with the BIR and one held by the Tax Filer.

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1 For the [x] Calendar [ ] Fiscal | 2 Year Ended (MM/YYYY) 12 2023 | 3 Number of Sheet/s Attached

Part I – Background Information

4 Taxpayer Identification Number (TIN) 000 / 460 / 604 / 0000 | 5 RDO Code 125

6 Taxpayer's Name *(Last Name, First Name, Middle Name for Individual OR Registered Name for Non-Individual)*

GRAND PLAZA HOTEL CORPORATION

7 Registered Address *(Indicate complete address. If branch, indicate the branch address. If the registered address is different from the current address, go to the RDO to update registered address by using BIR Form No. 1905)*

10TH FLOOR THE HERITAGE HOTEL MANILA, ROXAS BLVD. CORNER EDSA

PASAY CITY | 7A ZIP Code 1300

8 Contact Number *(Landline/Cellphone No.)* | 9 Email Address

Part II – Details of Related Parties

(Fill out the table properly. Write N/A if not applicable and use additional sheet/s, if necessary)

A. Foreign Related Parties

Name	Nature of Relationship	Country of Residence	Foreign TIN	Local TIN	With Permanent Establishment (PE) in the Philippines? (Yes/No)	TIN of PE

B. Domestic Related Parties

Name	Nature of Relationship	TIN	Registered Address
Harbour Land Corporation	Associate	000-163-601-000	10th Floor The Heritage Hotel Manila, Roxas Blvd., corner EDSA, Pasay City
Rogo Realty Corporation	Under Common Control	000-495-411-000	10th Floor The Heritage Hotel Manila, Roxas Blvd., corner EDSA, Pasay City
Elite Hotel Management Services	Under Common Control	408-499-648-000	10th Floor The Heritage Hotel Manila, Roxas Blvd., corner EDSA, Pasay City

Part III – Related Party Transactions

A. Sale of Goods and Provisions of Services

Name of Related Party	Description and Type of Transactions	Amount in Foreign Currency (if applicable)	Amount (in Php)	Were you granted treaty benefit in the source country? (Yes/No)	Income Tax Withheld by the Income Payor

B. Purchase of Goods and Services Except Those Provided by Key Management Personnel (KMP)

Name of Related Party	Description and Type of Transactions	Amount in Foreign Currency (if applicable)	Amount (in Php)	Did the income recipient claim treaty benefit? (Yes/No)	Was a TTRA filed therefor? (Yes/No)	Income Tax Withheld by the Income Payor (if any)	Is the income payment attributable to PE? (Yes/No)

BUREAU OF INTERNAL REVENUE
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INFORMATION RETURN ON TRANSACTIONS WITH RELATED PARTY
(FOREIGN AND/OR DOMESTIC)

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TIN | Registered Name

Continuation of Part III

C. Loans Granted to or Non-Trade Receivable from (Related Parties)

Name of Related Party	Opening Balance	Loans Granted During the Taxable Period	Terms and Conditions	Outstanding Balance as of the End of the Taxable Period	Provisions for Doubtful Debts *(if any)**	Bad Debts Expense Recognized During the Period *(if any)***
Rogo Realty Corporation	15,500,000.00		5% per annum collectible upon demand	15,500,000.00		

D. Loans Received from or Non-Trade Payable to (Related Parties)

Name of Related Party	Opening Balance	Loans Received During the Taxable Year	Terms and Conditions	Outstanding Balance as of the end of the Taxable Year

E. Other Related Party Transactions Excluding Compensation Paid to KMP, Dividends and Branch Profit Remittances

Name of Related Party	Description and Type of Transactions	Amount in Foreign Currency *(If applicable)*	Amount *(in Php)*
Harbour Land Corporation	Working Capital purposes		1,950,000.00
Rogo Realty Corporation	Working Capital purposes		432,836.00
Elite Hotel Management Services	Working Capital purposes		-0-

Part IV – Additional Disclosure

A. Brief business overview of the ultimate and immediate parent/s of the taxpayer

See attached Audited Financial Statements and various disclosures

B. Brief business overview/functional profile of the taxpayer

Grand Plaza Hotel Corporation was registered with SEC on Aug. 9, 1989 primarily to own, lease or manage one or more hotels, inns or resorts all adjuncts and accessories thereto and all.

C. Has there been any change in your functional profile during the taxable period? If yes, provide details. ☐ Yes ☒ No

D. Has there been any change in your ownership structure during the taxable period? If yes, provide details. ☐ Yes ☒ No

E. Did you undergo business restructuring during the taxable period or for the last five (5) years? If yes, provide details. ☐ Yes ☒ No

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INFORMATION RETURN ON TRANSACTIONS WITH RELATED PARTY
(FOREIGN AND/OR DOMESTIC)

1709 12/20ENCS P3

TIN	Registered Name

Continuation of Part IV

F. Have you prepared a Transfer Pricing Documentation (TPD) for the related party transactions as prescribed under Revenue Regulations No. 2-2013? The details of the TPD include, but are not limited to the following: Organizational Structure (b) Nature of the Business/Industry and Market Conditions; (c) Controlled Transactions; (d) Assumptions, Strategies, and Policies; (e) Cost Contribution Arrangement (CCA); (f) Comparability, Functional and Risk Analysis; (g) Selection of the Transfer Pricing Method (TPM); (h) Application of the TPM; (i) Background Documents; (j) Index to Documents. ☐ Yes ☒ No

G. Do you have pending application/s for relief with the BIR or with the tax authority of other country/ies? ☐ Yes ☒ No

If yes, provide details.

H. Do you have an Advance Pricing Agreement (APA) with your related parties? ☐ Yes ☒ No

I/We declare, under the penalties of perjury that this return has been made in good faith, and that, to the best of my/our knowledge and belief, all pieces of information provided in this return are correct, complete and true account of the related party transactions. Further, the required attachments to this return shall be made available during audit. Finally, I/we give my/our consent to the processing of my/our information as contemplated under Republic Act No. 10173, otherwise known as the Data Privacy Act of 2012, for legitimate and lawful purposes. *(If authorized representative, please attach an authorization letter)*

AZUCENA OSI - TIN: 212-938-866-000

Signature over Printed Name of Taxpayer/Authorized Representative/Tax Agent *(indicate Title and TIN)*

Tax Agent Accreditation Number/Atty.'s Roll Number *(if applicable)*

Date of Issue *(MM/DD/YYYY)* | Date of Expiry *(MM/DD/YYYY)*

Stamp of receiving Office and Date of Receipt (RO's Signature)

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
APR 12 2024
BY: ERMINA PALUINO
LT DOCUMENT PROCESSING AND QUALITY ASSURANCE DIVISION

SWORN DECLARATION

REPUBLIC OF THE PHILIPPINES
PROVINCE OF METRO MANILA
CITY/MINICIPALITY OF PASAY CITY

I, Azucena Osi, Filipino, of legal age designated as Finance Manager of **Grand Plaza Hotel Corporation**, with business address located at 10th Floor, The Heritage Hotel Manila Roxas Boulevard cor. EDSA, Pasay City do hereby certify the following:

- That in compliance with the requirements of Revenue Regulations No.2-2015, submitted herewith is **1** DVD-R/s containing **432** scanned **BIR Form** 2307/2316 covering the period **January – December 2023.**

- That the contents of the DVD-Rs being submitted herewith conform to the conditions/specification requirements set by the Bureau of Internal Revenue.

- That the soft copies of the **BIR Form 2307**/2316 contained in the DVD-R/s being submitted herewith are the complete and exact copies of the original thereof.

I HEREBY DECLARE UNDER THE PENALTIES OF PERJURY THAT THE FOREGOING ATTESTATIONS ARE TRUE AND CORRECT.

AZUCENA C. OSI
Name and Signature of Authorized Representative
TIN: 212-938-866-000

SUBSCRIBED and sworn before me, in the City/Municipality of Quezon City, this day of APR 12 2024 by ____________ with Residence Certificate No. ____________ issued at ____________, of ____________ 20__.

Notary public

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Book No. II
Series of 2024

ATTY. RIZAL JOSE F. VALMORES
NOTARY PUBLIC for QUEZON CITY
Until December 31, 2024
PTR No. 5891994/ January 2, 2024 Q.C.
IBP No. 329024/ December 15, 2023 Q.C.
Roll. No. 28435
MCLE VII- 0030835
ADM MATTER NO. NP-153(2023-2024)

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
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APR 12 2024
BY: ERWIN
LT DOCUMENT PROCESSING AND QUALITY ASSURANCE DIVISION

Re: 1702_12 2023_ATTACHMENT_GRAND PLAZA HOTEL CORPORATION

esubmission@bir.gov.ph <esubmission@bir.gov.ph>

Fri 4/12/2024 8:06 AM

To:Genalyn Escario <genalyn.escario@millenniumhotels.com>

The BIR has received your data file(s). Please be informed that you will receive another email on the file structure validation results of your submission, but no further email will be received on the TIN validation results. Hence, please ensure that the TIN of the Withholding Agent is valid for a successful submission of your Alphalist (or SLSP, as the case may be).

Thank you.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
APR 12 2024
BY:
DOCUMENT PROCESSING AND QUALITY ASSURANCE DIVISION