110292015000023

SECURITIES AND EXCHANGE COMMISSION

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Company Information

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

Document Information

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COVER SHEET

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S.E.C. Registration Number

G R A N D P L A Z A H O T E L C O R P

(Company's Full Name)

10F THE HERITAGE HOTEL ROXAS BLVD COR EDSA PASAY CITY

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

YAM KIT SUNG

Contact Person

8 5 4 8 8 3 8

Company Telephone Number

1 2 3 1

Month *Day*

Fiscal Year

S E C 17Q

FORM TYPE

0 5 1 5

Month *Day*

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1 For the quarterly period ended **September 30, 2015**

2. Commission identification number ____________ 3. BIR Tax Identification No. **000-460-602-000**

GRAND PLAZA HOTEL CORPORATION
4. Exact name of issuer as specified in its charter

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

6. Industry Classification Code: ________ (SEC Use Only)

10F, The Heritage Hotel Manila, Roxas Blvd. cor. EDSA, Pasay City 1300
7. Address of issuer's principal office

Tel. No. (632) 854-8838 **Fax No. (632) 854-8825**
8. Issuer's telephone number, including area code

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

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

Title of each Class	Number of shares of common Stock outstanding and amount Of debt outstanding
COMMON SHARES	**87,318,270***

*includes 33,600,901 treasury shares

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

Yes [X] No [ ]

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

PHILIPPINE STOCK EXCHANGE, INC. **COMMON**

12. Indicate by check mark whether the registrant:

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

Yes [X] No [ ]

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

Yes [X] No [ ]

PART I – FINANCIAL INFORMATION

Item 1 **Financial Statements**

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

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

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

PART II – OTHER INFORMATION

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

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer **YAM KIT SUNG**
Signature and Title : **General Manager & Chief Financial Officer**
Date ______________________

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements Required Under SRC Rule 68.1

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

Notes to Financial Statements

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

The same accounting policies and methods of computation are followed in the interim financial statements for the year 2015 as compared with the most recent annual financial statements.

Seasonality or Cyclicality of Interim Operations
All segments of the business are in its normal trading pattern.

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

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

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

Dividends
There were no dividends declared in the current interim period.

Segment Revenue and Results
Statement of Financial Accounting Standard No. 31, “Segment Reporting”, which becomes effective for financial statements covering periods beginning on or after January 1, 2001, requires that a public business enterprise report financial and descriptive information about its reportable segments. Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance.

The Company organized its business into 3 main segments:

- Room Division – Business derived from the sale of guestrooms.
- Food and Beverage Division – Business derived from the sale of food and beverage at various restaurants.
- Other Operated Departments and rental – Business derived from telephone department, business center, carparking, laundry and rental of space.

The segment revenues and results are as follows:

	YTD 3rd Quarter Revenue – Peso ‘000	YTD 3rd Quarter Department Profit – Peso ‘000
Room	215,104	167,938
Food and Beverage	95,705	32,366
Other Operated Departments and rental	9,801	6,231

Subsequent Events
None

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

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

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

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

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

	30 September 2015	30 September 2014
Current liquidity ratios	**1.53**	1.50
Solvency (Debt to equity)	**0.40**	0.38
Assets to equity ratios	**1.40**	1.38
Interest rate coverage ratio	**NA**	NA
Profitability ratios Profit before tax margin ratio	**1.67%**	0.86%
EBITDA (Earnings before interest, tax, depreciation and amortization) - Peso	**Php20.93 million**	Php14.22 million

Note: The Company has no loans due to third party or related parties.

Current liquidity ratio is derived by dividing the current assets with the current liabilities. This indicator measures the liquidity of the Company in the short-term. The current ratio has increased by 0.03 during the period of review compared to the same period of last year due to higher current assets mainly from cash and accounts receivables.

Debt to equity ratio measures a company financial leverage. It is derived by dividing total liabilities over equity. There is an increase in this ratio for the quarter due to higher liabilities mainly from increased in refundable deposit to tenant.

Assets/Equity ratio measures the proportion of equity used to finance assets of the company and it is derived by dividing total assets to equity. There is an increase in this ratio due to higher assets.

Profit before tax margin ratio is computed by dividing the profit before tax against the total revenue. This ratio measures whether the Company is able to contain its expenses in relation to the revenue. This ratio is higher than last year.

EBITDA represents earnings before interest, tax, depreciation and amortization. This indicator measures the operating cash flow of a company. For the quarter under review, EBITDA increased by PhP6.71 million or 47%.

Balance Sheets Analysis:

Total assets increased by about PhP19.5 million or 1.4% as compared to the same period of last year and decreased by PhP22.5 million or 1.6% as compared to end of last fiscal year. As compared to the end of last fiscal year, total assets decreased due to lower property and equipment balances by PhP23 million as a result of depreciation charges for the period.

Cash and short term notes:
This balance includes short-term fixed deposits with banks. This balance decreased by PhP6.3 million (2.6%) relative to end of last fiscal year. Relative to the same period of last year, there is an increase of PhP37.2 million (19.2%). The decrease as compared to end of last year is due to the refund of a security deposit of PhP19 million to a potential tenant in May 2015 offset by lower expenditures.

Provision for bad debts:
The higher provision for this quarter by PhP0.125 million (32.2%) compared to end of last year is due to the delay in payment from Malaysian Airline. Due to their restructuring, there were changes in their staff and payment was delayed. In October 2015, there were payments made to reduce their outstanding balances.

Deferred tax assets:
There is an increase of PhP2.0 million (26.2%) compared to the same period of last year due to higher provision for retirement benefits and bad debts.

Advances to associated/related companies:
The Company, in its normal course of business, has entered into transactions with its related parties, principally consisting of cash advances.

The Company leases its hotel site from an associated company. The Company has also entered into a management agreement with Elite Hotel Management Services Pte. Ltd., a related company, for the latter to operate the Hotel.

Under the terms and conditions of the agreement, the Company has to pay monthly basic management and incentive fees based on a percentage of the hotel's revenue and gross operating profit.

As compared with the end of last fiscal year, there is an increase of about PhP3.8 million (35.1%) as the companies have not repaid some of their balances outstanding during the year. However, as compared to the same period of last year, this balance dropped by PhP4.4 million (23%) as the related companies have settled their outstanding balances.

Inventories:
Inventories have decreased by PhP1.1 million (6.9%) as compared to same period of last year. The decrease is due to control of inventory in relation to the lower revenue.

Prepaid expenses:
This balance mainly represents prepayment for insurance. This balance increased by PhP1.8 million (39%) compared to the end of last year due to recognition of new insurance premium for the period 2015-2016 which will be amortized monthly.

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

Compared to end of last year, there is fall in this balance by PhP23.4 million (3.7%) and the decrease in balance is due to depreciation charges for the year.

Accounts payable:
There is a drop of PhP13.5 million (5.2%) relative to end of last fiscal year while there is no significant variance relative to same period of last year. The reduction is consistent with the lower revenue.

Accrued liabilities:
Accrued liabilities increased by PhP10.2 million (14.3%) versus same period as last year. The main reasons are due to higher wages and related expenses as a result of the wage order increase for minimum wage, higher accrual for maintenance for internet and cable facilities. Company also accrued a higher amount for legal fees in respect of the tax case being litigated at the Court of Tax Appeal.

Refundable Deposit:
This account represents refundable deposits to tenants. There is a drop of PhP17.5 million (33%) versus end of last fiscal year as the variance is due to a refund of security deposit to a potential tenant after forfeiting about PhP4.4 million.

Income Tax Payable:
Income tax payable has dropped by PhP8.1 million against same end of last year due to lower profitability.

Reserves:
Reserves increased by PhP5.1million (180%) compared to same period of last year due to the provision made during the year.

Income Statement Analysis For the 9 Months Ended 30 September 2015

Revenue:
Total revenue decreased by PhP14.1 million (4.2%) versus same period last year. The main reason for the fall is due to lower room and food and beverage (F&B) revenue.

Rooms division recorded a slight fall in occupancy from 60.2% in last year to 59.1% in this year. However, Average Room Rate has fell from PhP3,073 to PhP2,962. The combined effect is a drop in Revenue Per Available Room (Revpar) by 5%. The newly opened hotels in the Bay area such as Solaire, Hyatt, Nobu and Crown Hotels are starting to offer lower rates to bring in group businesses which affect the industry room rates.

Food and Beverage (F&B) business recorded a drop in revenue of PhP1.8 million or 1.9% as compared to the same period of last year. Total covers dropped by 29,476 (17.5%) This unfavorable variance is mainly due to the fall in revenue from Riviera, Room Service and Lobby Lounge outlets and offset by the stronger performance of Banquet. Average Food Check has increased by PhP79 (16.8%) versus same period of last year. Riviera revenue dropped by about PhP0.97 million (1.9%) compared to the same period of last year and the fall is mainly from lunch and dinner meal periods. With more restaurants being opened around our hotel, there is more competition from these standalone restaurants that offered a lower price range. Banquet showed a growth of PhP1.3 million (4.7%) versus same period last year.

Cost of Sales:
Cost of sales for F&B registered a decrease of PhP3.0 million or 8.0% % as compared to last year which is consistent with the lower F&B revenue and also measures were taken to reduce food cost to 42% from 44% last year.

Gross Profit:
Gross profit is derived after deducting cost of sales from gross revenue. Gross profit as compared to last year is lower due to lower revenue.

Operating Expenses:
Operating expenses include among others, payroll and related expenses, utilities, depreciation charges, rental and other fixed expenses. There is a decrease in operating expenses of PhP14.7 million or 4.7% as compared to the same period of last year. The saving is mainly derived from energy cost saving by PhP11.3 million (17.8%) versus same period of last year and also saving in property maintenance cost. Cost saving is also registered in property, operation and maintenance expenses by PhP2.2 million (13.1%)

Net Operating Income:
This is derived after deducting operating expenses from gross operating profit. The Company registered a net operating loss of PhP8.7 million versus last year same period of operating loss of PhP12.5 million.

Non-operating income:
This indicator decreased by PhP6.1 million (30%) as last year there was a reversal of accruals due to CDL Hotel (Phils.) Corporation which was no longer required as the company has been liquidated amounting to about Php14 million. This year the non-operating income also improved with an exchange gain of PhP8.7 million.

Profit after tax:
Profit after tax this year increased from PhP2.9 million in 2014 to PhP4.3 million in 2015 mainly due to lower expenditures, higher exchange gain and lower tax provision.

Income Statement Analysis For Third Quarter Ended 30 September 2015

Revenue:
Total revenue increased by PhP2.3 million (2.6%) versus same period last year. The main reason for the increment even though rooms and F&B revenue have dropped is due to a reversal of accruals in last year's other income.

Room division recorded a drop in revenue from PhP68.3 million to PhP59.5 million or 12.8% as a result of lower occupancy and room rate.

F&B division revenue decreased by PhP3.2 million (10.3%) due to revenue from outlets and the impact of lower room occupancy.

Rental and other income increased from a loss of PhP12.9 million in 2014 to a revenue of PhP2.2 million in 2015 due to in 2nd quarter of 2014, there was a reversal of accounts payable for management and incentive fees amounting to PhP14.2 million due to CDL Hotels (Phils) Corporation which was no longer required as this company has filed for liquidation and was approved by the court. There was no such exception item in this year.

Cost of Sales:
Cost of sales for F&B registered a decrease of 9.8% as compared to last year which is consistent with the lower F&B revenue.

Gross Profit:
Gross profit is derived after deducting cost of sales from gross revenue. Gross profit as compared to last year is lower due to lower revenue.

Operating Expenses:
Operating expenses include among others, payroll and related expenses, utilities, depreciation charges, rental and other fixed expenses. There is a decrease in operating expenses of PhP3.4 million or 3.6% as compared to the same period of last year.

Net Operating Income:
This is derived after deducting operating expenses from gross operating profit.

Non-operating income:
This indicator decreased by PhP9.9 million due to a reversal of accounts payable of PhP14.2 million last year as discussed earlier under revenue.

Profit after tax:
As a result, loss after tax fell from PhP0.094 million in 2014 to PhP2.1 million in 2015.

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

- Any known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.
- Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.
- Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.
- Any significant elements of income or loss that did not arise from the Company's continuing operations.
- The causes for any material change(s) (5% or more) from period to period in one or more line items (vertical and horizontal) of the Company's financial statements.
- Any seasonal aspects that had a material effect on the financial condition or results of operations.

Management is not aware of any event that may trigger direct or contingent financial obligations that is material to the Company, including any default or acceleration of an obligation. Management is not aware of any material off-balance sheet transaction, arrangement, obligation (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons that were created during the first 9 months of 2015.

PART II – OTHER INFORMATION

Tax matter:

(1) Grand Plaza Hotel Corporation – Dismissal and Termination of the Case entitled "*G.R. No. 204121 (Commissioner of Internal Revenue v. Grand Plaza Hotel Corporation)*" ("Tax Case")

On 9 June 2015, Grand Plaza Hotel Corporation ("Corporation") received from its counsel (i.e., Zambrano & Gruba Law Offices) a Notice from the Clerk of Court of the First Division of the Supreme Court ("Notice") stating that on 11 February 2015, the First Division of the Supreme Court resolved to note the Corporation's Manifestation and grant the Corporation's Motion to Dismiss the Commissioner of Internal Revenue's ("CIR") Petition for Review on Certiorari ("Petition") of the Tax Case for failure of the CIR to comply with the resolutions issued by the Supreme Court, which required the CIR to submit a verified statement of material date and the duplicate original or certified true copies of the assailed Court of Tax Appeals decision and resolution. The Notice also stated that the Tax Case is considered closed and terminated.

On 24 June 2015, BIR filed a Motion for Reconsideration with the Supreme Court even though the Supreme Court has previously ruled that the case is considered close and terminated.

As at 11 October 2015, the Corporation has not received any notice from the Supreme Court to file any comments to the Motion for Reconsideration.

As disclosed previously by the Corporation, the Tax Case arose from the Bureau of Internal Revenue's ("BIR") Final Decision on Disputed Assessment finding the Corporation liable for deficiency value added tax ("VAT") with respect to the years 1996 to 2002 in total amount of PhP228.94 million, inclusive of penalty and interest from January 2003 to December 2006. The Corporation subsequently filed a petition for review with the Court of Tax Appeal ("CTA") to contest such Final Decision on Disputed Assessment.

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

In 2009, the Corporation moved to have a preliminary hearing conducted to first resolve the legal issue of whether or not the services rendered by the Corporation to PAGCOR is subject to VAT at 10% rate. The CTA granted the motion and hearings were subsequently conducted. On 18 February 2011, the CTA ruled in favor of the Corporation and cancelled the VAT deficiency assessment *in toto*. In line with the decision of the Supreme Court in *CIR v. Acesite (Philippines) Hotel Corporation, G.R. no. 147295, 16 February 2007* ("Acesite Case"), the CTA, in its decision dated 18 February 2011, cancelled the BIR's assessment against the Corporation for deficiency VAT in the amount of PhP228,943,589.15 for taxable years 1996 to 2002. In its resolution dated 17 May 2011, the CTA denied the CIR's Motion for Reconsideration of the CTA's decision rendered on 18 February 2011. The CIR shortly filed an appeal with the CTA En Banc.

On 1 September 2011, the CTA En Banc resolved to give course to BIR's appeal. The Corporation filed its Memorandum in October 2011. On 27 July 2012, the CTA En Banc resolved that, consistent with the pronouncement of the Supreme Court in the Acesite Case and the case of *PAGCOR vs. CIR (G.R. no. 172087, 15 March 2011)* that services rendered to PAGCOR are exempt from VAT, the CIR's petition has no leg to stand on and must necessarily fall. The BIR subsequently filed a Motion for Reconsideration.

On 8 October 2012, the CTA En Banc resolved that the CIR's Motion for Reconsideration is denied and the earlier decision of the CTA promulgated on 17 May 2011 is affirmed. On 5 December 2012, the CIR filed the Petition with the Supreme Court.

On 6 May 2013, the Corporation filed its Comment/Opposition to the Petition. On 17 October 2013, the Corporation received a notice from the Supreme Court directing the CIR to file a reply (to the Corporation's Comment/Opposition) within 10 days from the CIR's receipt of the notice.

In a notice dated 8 October 2014, the Supreme Court declared the petitioner's (i.e., CIR) Manifestation and Motion dated 11 April 2014 as unsatisfactory compliance with its Resolution dated 28 January 2013, and the Supreme Court further gave a grace period of 5 days for the BIR to comply.

On 16 December 2014, the Corporation filed the Manifestation and Motion to Dismiss the Petition for non-compliance with the jurisdictional requirements, which as stated in the Notice was noted and granted by the Supreme Court in its resolution dated 11 February 2015.

(2) Grand Plaza Hotel Corporation ("Corporation") versus Commissioner of Internal Revenue ("BIR") – Court of Tax Appeal ("CTA") Case No. 8992

This case is a Petition for Review with CTA to invalidate the tax deficiency assessment in relation to year 2008.

On 20 February 2015, the Corporation filed a Petition for Review with the CTA to invalidate the collection proceedings of the BIR. The Petition is based on the Corporation's position, as advised by tax counsel, that the collection proceedings initiated by the Commissioner of Internal Revenue is void because the assessments did not comply with the requirements of law and lacked factual and legal basis.

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

On 5 May 2015, BIR filed its comments to the Petition of the Corporation. The Corporation has filed its reply to the BIR comments on 10 July 2015. On 24 July 2015, the Corporation received a Warrant of Distraint and/or Levy dated 24 July 2015 from the BIR ("Warrant"). The Warrant relates to the tax case for year 2008. Considering that a Petition for Review has been earlier filed with the CTA on 20 February 2015 to question the validity of the collection proceedings initiated by the Commissioner of Internal Revenue and that the matter is currently being litigated at the CTA, the Corporation will take immediate legal measures to ensure that such Warrant is properly restrained in the meantime.

During the CTA hearing on 21 September 2015, the Corporation presented 2 witnesses and they were able to furnish their testimonies on the same day. The Formal Offer of Documentary Evidence will be submitted to CTA on 28 October 2015.

Other than the above 2 tax cases, to the best knowledge and/or information of the Company, neither itself nor any of its affiliates and subsidiaries have been involved during the past five (5) years in any material legal proceedings affecting/involving the Company, its affiliates or subsidiaries, or any material or substantial portion of their property before any court of law or administrative body in the Philippines or elsewhere.

Financial Risk Exposure:

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

1. The qualitative and quantitative impact of any changes in the financial risk exposures of GPHC, particularly on currency, interest, credit, market and liquidity risks, that would materially affect its financial condition and results of operation, and a description of any enhancement in the Company's risk management policies to address the same.

2. A description of the financial instruments of the Company and the classification and measurements applied for each. If material in amount, provide detailed explanation or complex securities particularly on derivatives and their impact on the financial condition of the Company.

3. The amount and description of the Company's investments in foreign securities.

4. The significant judgments made in classifying a particular financial instrument in the fair value hierarchy.

5. An explanation of how risk is incorporated and considered in the valuation of assets or liabilities.

6. A comparison of the fair values as of date of the recent interim financial report and as date of the preceding interim period, and the amount of gain or loss recognized for each of the said periods.

7. The criteria used to determine whether the market for a financial instrument is active or inactive, as defined under Philippine Accounting Standard 39 – Financial Instruments.

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

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

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

Credit Risk

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

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

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

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

Liquidity Risk

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

Market Risk

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

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

Room Rates

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

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

Interest Rate Risk

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

Foreign Currency Risk

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

The Company functional currency is Philippines peso. As at 30 September 2015, it holds bulk of its cash and cash equivalent in Philippines peso. The United States dollars are used to settle foreign obligations. As such, the Company does not have currency risk exposure.

The Company does not have any third party loans so it has no interest rate risk. The Company in the ordinary course of business extends credit to its customers. Exposure to credit risk is monitored on an ongoing basis, credit review being performed for clients requesting for credit limit. The total exposure to trade receivables as at 30 September 2015 is Peso36 million.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility. As at 30 September 2015, the Company has Peso592 million current assets and Peso385 million current liabilities so the current assets are able to cover its liability.

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

The Company also does not invest in foreign securities.

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

	30 Sept 2015	**30 Sept 2015**	31 December 2014	31 December 2014
	Carrying amount	**Fair value**	Carrying amount	Fair value
Cash and cash equivalents	**230,728,507**	**230,728,507**	237,078,062	237,078,062
Receivables net	**291,152,981**	**291,152,981**	297,317,357	297,317,357
Due from/(to) related party net	**11,051,076**	**11,051,076**	6,280,346	6,280,346
Loan receivable	**15,500,000**	**15,500,000**	15,500,000	15,500,000
Lease deposit	**78,000,000**	**78,000,000**	78,000,000	78,000,000
Accounts payable & accrued expenses	**325,713,200**	**325,713,200**	331,097,124	331,097,124

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

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

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

GRAND PLAZA HOTEL CORPORATION
Balance Sheets
September 30, 2015 and 2014
(With comparative figures for the year ended December 31, 2014)
(In Philippine Pesos)

ASSETS	Unaudited September 30, 2015	Unaudited September 30, 2014	Audited Dec. 31, 2014
Current Assets			
Cash and short-term notes	230,728,507.43	193,489,685.93	237,078,062.72
Accrued interest receivable	69,622.47	41,671.20	12,498.16
Accounts receivable - trade	273,319,659.86	265,231,604.66	278,819,646.99
Accounts receivable - others	18,276,609.15	19,071,249.52	18,872,892.19
Provision for bad debts	(512,909.16)	(402,933.16)	(387,679.16)
Deferred tax assets/(liabilities)	10,061,161.30	7,966,366.22	12,398,139.63
Input tax	-	-	-
Advances to associated/related companies	14,864,597.58	19,348,090.44	11,000,350.00
Advances to immediate holding company	1,831,067.16	2,184,716.14	1,370,238.94
Inventories	14,895,271.93	16,002,788.40	13,993,229.16
Prepaid expenses	6,559,234.39	7,321,568.62	4,703,773.67
Creditable withholding tax	-	-	63,738.00
Other current assets	22,141,194.93	19,529,415.56	14,810,735.41
Advances to/from THHM	-	-	-
Total Current Assets	*592,234,017.04*	*549,784,223.53*	*592,735,625.71*
Property and Equipment	*601,172,944.11*	*626,106,174.63*	*624,662,659.59*
Investment in Stock of Associated Company	*51,699,594.02*	*49,698,304.46*	*50,241,236.91*
Deposit on Lease Contract	*78,000,000.00*	*78,000,000.00*	*78,000,000.00*
Loans Receivable	*15,500,000.00*	*15,500,000.00*	*15,500,000.00*
Other Assets			
Miscellaneous investments and deposits	5,085,790.50	5,085,790.50	5,085,790.50
Others	1,010,000.00	1,010,000.00	1,010,000.00
Total Other Assets	*6,095,790.50*	*6,095,790.50*	*6,095,790.50*
Total Assets	***1,344,702,345.67***	***1,325,184,493.12***	***1,367,235,312.71***

GRAND PLAZA HOTEL CORPORATION
Balance Sheets
September 30, 2015 and 2014
(With comparative figures for the year ended December 31, 2014)
(In Philippine Pesos)

LIABILITIES AND STOCKHOLDERS' EQUITY	**Unaudited September 30, 2015**	**Unaudited September 30, 2014**	**Dec. 31, 2014**
Current Liabilities			
Accounts payable	243,535,484.92	243,065,410.73	257,088,483.87
Accrued liabilities	82,177,716.19	71,881,425.08	74,008,640.94
Rental payable	-	4,983,330.14	-
Due to associated/related companies	5,644,588.99	9,771,246.82	6,090,242.53
Advances from immediate holding company - net			
Refundable deposit	35,692,910.00	30,170,126.55	53,273,638.31
Deferred rental	-	-	-
Dividend payable	-	-	
Income tax payable	(6,289,692.81)	852,923.94	1,802,477.00
Other current liabilities	16,635,052.23	3,576,045.51	17,130,784.20
Reserves	8,016,459.52	2,002,605.42	2,858,412.55
Total Current Liabilities	*385,412,519.04*	*366,303,114.19*	*412,252,679.40*
Long - Term Liabilities			
Total Long - Term Liabilities	-	-	-
Capital Stock			
Authorized - 115,000,000 shares in March 31, 2009 and December 31, 2008 at P10.00 par value per share			
Capital stock	873,182,699.00	873,182,699.00	873,182,699.00
Premium on capital stock	11,965,903.78	11,965,903.78	11,965,903.78
Paid-in capital in excess of par - Warrants	2,691,613.81	2,691,613.81	2,691,613.81
Treasury stock	(1,680,020,370.00)	(1,680,020,370.00)	(1,680,020,370.00)
Retained earnings/(deficit) - beginning	1,742,466,748.82	1,742,072,850.72	1,742,072,850.72
Retained profit/(loss) for the period	4,307,193.32	2,903,436.72	393,898.10
Dividend declared	-	-	-
Working Capital Contribution	-	-	-
Reserves / net Actuarial Loss	4,696,037.90	6,085,244.90	4,696,037.90
Total Stockholders' Equity	*959,289,826.63*	*958,881,378.93*	*954,982,633.31*
Total Liabilities and Stockholders' Equity	***1,344,702,345.67***	***1,325,184,493.12***	***1,367,235,312.71***

GRAND PLAZA HOTEL CORPORATION
Income Statements
For the years ended September 30, 2015 and 2014
(With comparative figures for the year ended December 31, 2014)
(In Philippine Pesos)

	Unaudited Year-to-date September 30, 2015	Unaudited Year-to-date September 30, 2014	Audited Full Year Dec. 31, 2014
Revenue			
Rooms	215,104,925.06	227,283,062.69	312,084,719.80
Food & Beverage	95,705,156.51	97,594,780.22	141,017,831.76
Other Operated Depts.	3,480,480.33	4,457,201.32	6,491,294.36
Rental Income/Others	6,321,312.09	5,419,049.06	7,353,953.45
Total Revenue	*320,611,873.99*	*334,754,093.29*	*466,947,799.37*
Cost of Sales			
Food & Beverage	34,261,963.68	37,265,649.66	53,457,070.91
Other Operated Depts.	2,432,738.82	2,097,288.32	2,828,935.49
Total Cost of Sales	*36,694,702.50*	*39,362,937.98*	*56,286,006.40*
Gross Profit	283,917,171.49	295,391,155.31	410,661,792.97
Operating Expenses	292,630,216.59	307,905,928.64	429,009,355.44
Net Operating Income	*(8,713,045.10)*	*(12,514,773.33)*	*(18,347,562.47)*
Non-operating Income/(Loss)			
Interest Income	3,890,003.09	4,048,996.98	5,344,592.45
Dividend Income	-	-	-
Gain/(Loss) on Disposal of Fixed Assets	-	-	225,611.73
Exchange Gain/(Loss)	8,728,342.41	148,342.90	200,422.00
Share in Net Income/(Loss) of Associated Co.	1,458,357.10	1,231,166.79	1,774,099.24
Other Income	-	14,767,898.90	14,767,898.90
Total Non-Operating Income	*14,076,702.60*	*20,196,405.57*	*22,312,624.32*
Net Income/(Loss) Before Tax	5,363,657.50	7,681,632.24	3,965,061.85
Provision for Income Tax	1,056,464.18	4,778,195.52	3,571,163.75
Net Income/(Loss) After Tax	***4,307,193.32***	***2,903,436.72***	***393,898.10***
Earnings per share	***0.08***	***0.05***	***0.01***
Dilluted earnings per share	***0.08***	***0.05***	***0.01***

Notes:

In Sept 30, 2015 total shares outstanding is 53,717,369 net of 33,600,901 treasury shares
In Sept 30, 2014 total shares outstanding is 54,702,219 net of 32,616,051 treasury shares

GRAND PLAZA HOTEL CORPORATION
Income Statements
For the 3rd quarters ended September 30, 2015 and 2014
(In Philippine Pesos)

	Unaudited 3rd Quarter September 30, 2015	Unaudited 3rd Quarter September 30, 2014
Revenue		
Rooms	59,540,822.91	68,347,512.95
Food & Beverage	28,419,665.70	31,713,385.28
Other Operated Depts.	1,073,396.71	1,772,811.36
Rental Income/Others	2,207,775.06	(12,962,140.75)
Total Revenue	*91,241,660.38*	*88,871,568.84*
Cost of Sales		
Food & Beverage	10,704,373.03	11,879,844.63
Other Operated Depts.	951,085.30	708,073.17
Total Cost of Sales	*11,655,458.33*	*12,587,917.80*
Gross Profit	79,586,202.05	76,283,651.04
Operating Expenses	91,973,877.03	95,460,922.30
Net Operating Income	*(12,387,674.98)*	*(19,177,271.26)*
Non-operating Income/(Loss)		
Interest Income	1,321,418.99	1,346,097.02
Dividend Income	-	-
Gain/(Loss) on Disposal of Fixed Assets	-	-
Exchange Gain/(Loss)	6,983,858.53	2,015,250.37
Share in Net Income/(Loss) of Associated Co.	616,522.81	694,341.85
Other Income	-	14,767,898.90
Total Non-Operating Income	*8,921,800.33*	*18,823,588.14*
Net Income/(Loss) Before Tax	(3,465,874.65)	(353,683.12)
Provision for Income Tax	(1,270,519.94)	(258,735.86)
Net Income/(Loss) After Tax	***(2,195,354.71)***	***(94,947.26)***

GRAND PLAZA HOTEL CORPORATION
Statements of Changes in Equity
For the years ended September 30, 2015 and 2014
(With comparative figures for the year ended December 31, 2014)
(In Philippine Pesos)

	Unaudited September 30, 2015	Unaudited September 30, 2014	Audited Dec. 31, 2014
Balance - beginning	**954,982,633.31**	**1,005,220,442.23**	**1,005,220,442.23**
Prior period adjustment			
Balance - as adjusted	**954,982,633.31**	**1,005,220,442.23**	**1,005,220,442.23**
Net income for the period	4,307,193.32	2,903,436.72	393,898.10
Dividends	-	-	-
Retirement of shares	-	-	-
Reserves/Net Actuarial Loss	-	-	(1,389,207.10)
Buyback of shares	-	(49,242,500.00)	(49,242,500.00)
Balance - end	***959,289,826.63***	***958,881,378.95***	***954,982,633.23***

GRAND PLAZA HOTEL CORPORATION
Cash Flow Statements
For the years ended September 30, 2015 and 2014
(With comparative figures for the year ended December 31, 2014)
(In Philippine Pesos)

	Unaudited Year-to-date September 30, 2015	Unaudited Year-to-date September 30, 2014	Audited Full Year Dec. 31, 2014
Cash flows from operating activities			
Net income	4,307,193.32	2,903,436.72	393,898.10
Adjustments to reconcile net income to net cash			
provided by operating activities			
Prior period adjustments	-		-
Depreciation and amortization	29,645,871.64	26,732,674.14	39,089,809.12
Equity in net income of associated company	(1,458,357.10)	(1,231,166.79)	(1,774,099.24)
Provision for bad debts	512,909.16	402,933.16	387,679.16
Changes in operating assets and liabilities			
(Increase) decrease in			
Accrued interest receivable	(57,124.31)	(19,017.14)	10,155.90
Accounts receivable - trade	5,112,307.97	8,457,852.42	(5,130,189.91)
Accounts receivable - others	596,283.04	(368,390.76)	(170,033.43)
Deferred income tax	2,336,978.33	(2,394,510.77)	(6,826,284.18)
Input tax	-	-	-
Advances to associated company	(3,864,247.58)	48,548.60	8,396,289.04
Advances to immediate holding company	(460,828.22)	(649,104.55)	165,372.65
Inventories	(902,042.77)	(2,420,341.50)	(410,782.26)
Prepaid expenses	(1,855,460.72)	(792,446.24)	1,825,348.71
Creditable withholding tax	63,738.00	-	(63,738.00)
Other current assets	(7,330,459.52)	2,971,702.21	7,690,382.36
Advances to/from THHM	-	-	-
Increase (decrease) in			
Accounts payable	(13,552,998.95)	(14,654,349.51)	(631,276.37)
Accrued liabilities	8,169,075.25	6,733,177.90	8,860,393.76
Notes payable	-	-	-
Rental payable	-	4,983,330.14	-
Due to associated company	(445,653.54)	7,655,826.05	3,974,821.76
Advances from immediate holding company - net	-	-	-
Advances from intermediate holding company	-	-	-
Refundable deposit	(17,580,728.31)	1,049,336.86	24,152,848.62
Deferred rental - Pagcor	-	-	-
Due to City e-Solutions Limited *(formerly CHIL)*	-	-	-
Due to Byron	-	-	-
Dividend payable	-	-	-
Output tax	-	-	-
Income tax payable	(8,092,169.81)	852,923.94	1,802,477.00
Other current liabilities	(495,731.97)	(212,731.55)	13,342,007.14
Reserves	5,158,046.97	1,990,373.53	2,846,180.66
	(193,399.12)	42,040,056.86	97,931,260.59
Cash flows from investing activities			
Acquisition of property and equipment - net	(6,156,156.16)	(5,198,525.55)	(16,112,145.49)
Dividend (declared)/received	-	-	-
(Receipts)/Refund of deposit on lease contract	-	-	-
(Receipts)/Payments relating to other assets	-	-	-
Retirement of treasury stocks	-	-	-
Buyback of shares - net	-	(49,242,500.00)	(49,242,500.00)
Reserves / Net Actuarial Loss	-	-	(1,389,207.10)
	(6,156,156.16)	(54,441,025.55)	(66,743,852.59)
Cash flows from financing activities			
Increase/(Decrease) in reserves	-	-	-
	-	-	-
Net increase in cash and short-term notes	(6,349,555.28)	(12,400,968.69)	31,187,408.00
Cash and short-term notes, Beginning	237,078,062.72	205,890,654.72	205,890,654.72
Cash and short-term notes, Ending	**230,728,507.44**	**193,489,686.03**	**237,078,062.72**

GRAND PLAZA HOTEL CORPORATION
Cash Flow Statements
For the 3rd quarters ended September 30, 2015 and 2014
(In Philippine Pesos)

	Unaudited 3rd Quarter September 30, 2015	Unaudited 3rd Quarter September 30, 2014
Cash flows from operating activities		
Net income	(2,195,354.71)	(94,947.26)
Adjustments to reconcile net income to net cash		
provided by operating activities		
Depreciation and amortization	9,920,132.24	9,317,711.84
Equity in net income of associated company	(616,522.81)	(694,341.85)
Provision for bad debts	512,909.16	402,933.16
Changes in operating assets and liabilities		
(Increase) decrease in		
Accrued interest receivable	(50,049.08)	(18,089.86)
Accounts receivable - trade	683,912.58	6,658,867.75
Accounts receivable - others	(132,898.99)	(230,554.27)
Deferred income tax	1,840,519.71	(95,235.01)
Input tax	-	-
Advances to associated company	(1,168,749.99)	(1,115,728.78)
Advances to immediate holding company	(119,365.12)	(131,799.66)
Inventories	649,215.93	(1,773,439.51)
Prepaid expenses	(3,033,153.95)	1,463,877.84
Creditable withholding tax	-	-
Other current assets	(4,763,159.34)	735,952.76
Advances to/from THHM	-	-
Increase (decrease) in		
Accounts payable	2,987,901.87	1,945,451.31
Accrued liabilities	5,019,838.42	7,234,436.17
Notes payable	-	-
Rental payable	-	4,983,330.14
Due to associated company	(1,240,189.49)	4,055,487.13
Advances from immediate holding company - ne	-	-
Advances from intermediate holding company	-	-
Refundable deposit	926,338.31	447,891.54
Deferred rental - Pagcor	-	-
Due to City e-Solutions Limited *(formerly CHIL)*	-	-
Due to Byron	-	-
Dividend payable	-	-
Output tax	-	-
Income tax payable	(4,934,996.56)	(4,499,079.79)
Other current liabilities	183,198.12	(812,553.03)
Reserves	835,889.74	360,568.07
	5,305,416.04	28,140,738.69
Cash flows from investing activities		
Acquisition of property and equipment - net	(2,323,191.71)	(3,419,954.14)
Dividend (declared)/received	-	-
(Receipts)/Refund of deposit on lease contract	-	-
(Receipts)/Payments relating to other assets	-	-
Retirement of treasury stocks	-	-
Buyback of shares	-	(49,242,500.00)
	(2,323,191.71)	(52,662,454.14)
Cash flows from financing activities		
Increase/(Decrease) in reserves	-	-
	-	-
Net increase in cash and short-term notes	2,982,224.33	(24,521,715.45)
Cash and short-term notes, Beginning	227,746,283.11	218,011,401.38
Cash and short-term notes, Ending	**230,728,507.44**	**193,489,685.93**

Grand Plaza Hotel Corporation

Aging of Receivables as of 30 September 2015

Customer Type	0 to 8 days	9 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Over 120 days	Total	%
Airlines	885,580	4,334,509	4,648,836	3,414,403	397,687	1,369,647	15,050,662	41.29%
Credit card	1,029,736						1,029,736	2.83%
PAGCOR						8,936,198	8,936,198	24.52%
Company - local	98,050	988,635	877,433	173,974	131,862	1,159,025	3,428,979	9.41%
Overpayment					(60,498)	(139,081)	(199,579)	-0.55%
Permanent accounts	46,617	74,142	112,954	109,544	120,885	369,924	834,066	2.29%
Embassy & government	188,808	570,300	698,584	212,000			1,669,692	4.58%
Travel Agent - Local	213,172	427,338	106,528	48,000			795,038	2.18%
Temporary credit	711,544	944,209	271,298	29,888	728,444	28,200	2,713,583	7.44%
Travel Agent - Foreign	252,890	657,261	850,352	253,050	71,760	106,842	2,192,155	6.01%
TOTAL	3,426,397	7,996,394	7,565,985	4,240,859	1,390,140	11,830,755	36,450,530	100.00%
%	9.40%	21.94%	20.76%	11.63%	3.81%	32.46%	100.00%	