



102072018001689

**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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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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Remarks	

06 February 2018

Securities and Exchange Commission
SEC Building, EDSA
Mandaluyong City

By Hand

Attention: Vicente Graciano P. Felizmenio, Jr.
Director
Markets and Securities Regulation Department

Grand Plaza Hotel Corporation - Signatory to 2017 Annual Report

Dear Sirs:

We write on behalf of Grand Plaza Hotel Corporation ("**Grand Plaza**" or the "**Corporation**"), a corporation organized under the laws of the Philippines and registered with the Philippine Securities and Exchange Commission ("**SEC**") under SEC Company Registration No. 166878.

We understand that based on the SEC's rules and regulations, the Annual Report (SEC Form 17-A), must be submitted to the SEC within 105 days after the end of the issuer's fiscal year. However, to align the submission of Grand Plaza's Annual Report with the Annual Report and Audited Financial Statements of its parent company, The Philippine Fund Limited, the Corporation intends to submit its Annual Report on an earlier date than the deadline prescribed under the SEC's rules and regulations. In this regard, please find enclosed Grand Plaza's Annual Report (SEC Form 17-A) for fiscal year ended 31 December 2017 ("**Annual Report**").

The Corporation would like to notify the SEC that the Annual Report submitted was not signed by the Corporation's President, Mr. Tan Kian Seng, but was signed by the Corporation's Vice-President, Mr. Eddie B.H. Yeo, on behalf of the Corporation. Mr. Tan was unavailable to sign the Annual Report as he is out of the country to attend business meetings and other matters requiring his immediate and personal attention and thus, was not be able to sign the Annual Report in the Philippines. For the SEC's reference, please find enclosed Mr. Tan's itinerary showing his unavailability to sign the Annual Report.

In view of Mr. Tan's unavailability to sign the Annual Report, the Board of Directors has authorized Mr. Yeo, Grand Plaza's Vice President, to sign the Annual Report on Mr. Tan's behalf. In this regard, we attach Grand Plaza's Secretary's Certificate, attesting to the resolutions adopted by the Board of Directors in a Special Meeting held on 5 February 2018, for your reference and records.

We understand that based on the SEC's rules and regulations, the Annual Report must be signed by the President or Chief Executive Officer, the Treasurer or Chief Financial Officer, and the Corporate Secretary. However, due to the intention of the Corporation to submit its Annual Report at an earlier date, and considering the absence or unavailability of Mr. Tan to sign the Annual Report, Grand Plaza hereby

Quisumbing Torres
12th Floor, NetOneCenter
26th Street corner 3rd Avenue
CrescentParkWest
BonifacioGlobalCity
Taguig, Metro Manila, Philippines 1634
Tel: +63 2 819 4700
Fax: +63 2 816 0080; +63 2 728 7777

respectfully notifies the SEC that Mr. Yeo has signed the Annual Report on behalf of Mr. Tan, as directed by Grand Plaza's Board of Directors.

We trust that you find merit in our explanation.

Best regards,



Alain Charles J. Veloso
Corporate Secretary

REPUBLIC OF THE PHILIPPINES)
TAGUIG CITY, METRO MANILA) S.S.

SECRETARY'S CERTIFICATE

I, Alain Charles J. Veloso, Filipino, of legal age, with office address at 12th Floor, Net One Center, 26th Street corner 3rd Avenue, Crescent Park West, Bonifacio Global City, Taguig City, Metro Manila, after being duly sworn in accordance with law, certify as follows:

1. I am the duly elected and qualified Corporate Secretary of Grand Plaza Hotel Corporation (the "Corporation"), a corporation organized and existing under the laws of the Republic of the Philippines.
2. At the special meeting of the Board of Directors of the Corporation held on 5 February 2018, during which a quorum was present throughout, the following resolutions were adopted:

RESOLVED, that the Board of Directors approves the Annual Report (Securities and Exchange Commission Form 17-A) of the Corporation for fiscal year ended 31 December 2017 ("Annual Report");

RESOLVED, FURTHER, that the Board of Directors hereby directs and authorizes the submission of the Annual Report to the Securities and Exchange Commission and Philippine Stock Exchange, Inc.;

RESOLVED, FURTHER, that the following officers of the Corporation are hereby authorized to sign and execute the Annual Report of the Corporation:

Name	Position
Tan Kian Seng	Chairman and President
Yam Kit Sung	General Manager / Chief Financial Officer
Alain Charles J. Veloso	Corporate Secretary

RESOLVED, FINALLY, that in the absence or unavailability of the President, Mr. Tan Kian Seng, to sign the Annual Report, the Corporation directs and authorizes its Vice President, Mr. Eddie B.H. Yeo, to sign and execute the Annual Report on behalf of the President.

3. The foregoing resolution has not been amended or revoked and continues to be effective.

-SIGNATURE PAGE FOLLOWS-

IN WITNESS WHEREOF, I hereunto set my hand this FEB 06 2018 at Taguig City, Metro Manila.


Alain Charles J. Veloso
Corporate Secretary

SUBSCRIBED AND SWORN to before me by Alain Charles J. Veloso, this FEB 06 2018, at Taguig City, Metro Manila, affiant exhibiting to me his Passport No. EC1372801 issued at DFA Manila on 11 June 2014 and valid until 10 June 2019.

Doc. No. 86 ;
Page No. 9 ;
Book No. VII ;
Series of 2018.


DIANE MAXIMA B. SINGAYAN
Notary Public for Taguig City
Appointment No. 90 until 31 December 2018
12th Floor Nat One Center, 28th St. corner 3rd Avenue
Crescent Park West, Bonifacio Global City, Taguig City 1634
Roll of Attorneys No. 61718
PTR No. A-3745273/ 01-04-18/ Taguig City
IBP Lifetime No. 924519; 01/10/13; Cagayan Valley
MCLE Compliance No. V-0021000; until 14 April 2019





ELECTRONIC TICKET
PASSENGER ITINERARY/RECEIPT

PREPARED FOR
TAN/KIAN SENG MR

TICKET NUMBER
6184933082041/42

RESERVATION CODE :
PQHFMK
Z-CAR TRAVEL PTE LTD
190 Clemenceau Avenue
Unit 02-32/33 Singapore
Shopping Centre
Singapore 239924
Opening Hrs : -
Consultant : angie chan
Office Hours Contact : 65
6338 8122
After Office Hours Contact :
9824 4562
Facsimile : 65 6338 2420
Email : angie@ztravel.sg

FREQUENT FLYER : ~~XXXXXXXXXX~~
ISSUING AIRLINE : SINGAPORE
AIRLINES
ISSUING AGENT : Z-CAR TRAVEL PTE
LTD
ISSUING LOCATION : SINGAPORE, SG
ISSUED DATE : 11JAN18

IATA NUMBER : 32300741
CUSTOMER NO :
TOUR CODE : HLC
FOID :
NAME REF :

18 Jan - Please verify flight times prior to departure

FLIGHT/CLASS	TIME	CITY/COUNTRY/AIRPORT NAME/TERMINAL
SINGAPORE AIRLINES SQ 600/BUSINESS/U	08:05	SINGAPORE CHANGI SEOUL INCHEON INT

AIRLINE RES CODE :
STATUS / DURATION /
MILEAGE
MEALS/EQUIPMENT/STOPS

CONFIRMED / / / /

FARE BASIS CODE : USG
NOT VALID BEFORE :
NOT VALID AFTER : 18JAN19

BAGGAGE : 2PC

NOTES :

SEAT :

SQ SINGAPORE AIRLINES Contact (SINGAPORE CHANGI)--(65) 62238888

21 Jan - Please verify flight times prior to departure

FLIGHT/CLASS	TIME	CITY/COUNTRY/AIRPORT NAME/TERMINAL
SINGAPORE AIRLINES SQ 8/BUSINESS/U	12:40	SEOUL INCHEON INT LOS ANGELES INTL

AIRLINE RES CODE :
STATUS / DURATION /
MILEAGE
MEALS/EQUIPMENT/STOPS

CONFIRMED / / / /

FARE BASIS CODE : USG
NOT VALID BEFORE :
NOT VALID AFTER : 18JAN19

BAGGAGE : 2PC

NOTES :

SEAT :

SQ SINGAPORE AIRLINES Contact (SEOUL INCHEON INT)--(02)7551226

Saturday 03 Feb - Please verify flight times prior to departure

FLIGHT/CLASS	TIME	CITY/COUNTRY/AIRPORT NAME/TERMINAL
SINGAPORE AIRLINES SQ 2588/BUSINESS/D	19:00	NEW YORK JFK TERMINAL 4
	07:00	LONDON HEATHROW

AIRLINE RES CODE : K9WF23
STATUS / DURATION /
MILEAGE
MEALS/EQUIPMENT/STOPS
CONFIRMED / 7HR0MIN /
3457MILES / DINNER /
AIRBUS 340-600

04Feb TERMINAL 3

OPERATED BY VIRGIN ATLANTIC

FARE BASIS CODE : CVS1SG

BAGGAGE : 2PC

NOT VALID BEFORE :

NOTES :

NOT VALID AFTER : 18JAN19

SEAT :

SQ SINGAPORE AIRLINES Contact (NEW YORK JFK)--

Friday 09 Feb - Please verify flight times prior to departure

FLIGHT/CLASS	TIME	CITY/COUNTRY/AIRPORT NAME/TERMINAL	AIRLINE RES CODE : K9WF23
			STATUS / DURATION / MILEAGE MEALS/EQUIPMENT/STOPS
SINGAPORE AIRLINES SQ 321/BUSINESS/C	22:05	LONDON HEATHROW	CONFIRMED / 12HR55MIN / 6742MILES / MEALS / AIRBUS INDUSTRIE A380-800 JET
		TERMINAL 2	
	19:00	SINGAPORE CHANGI	

10Feb

FARE BASIS CODE : CVS1SG

BAGGAGE : 2PC

NOT VALID BEFORE :

NOTES :

NOT VALID AFTER : 18JAN19

SEAT : ~~12M~~

SQ SINGAPORE AIRLINES Contact (LONDON HEATHROW)--0844 800 2380 (within UK)/44 208 961 6993
(outside UK)

FORM OF PAYMENT : INVAGT

ENDORSEMENT /

RESTRICTIONS : VLD ON SQ/VS ONLY.NONENDORSE

NOTE - SGD6.10 OP (AVIATION LEVY) APPLIES TO DEPARTURES FROM SINGAPORE

POSITIVE IDENTIFICATION REQUIRED FOR AIRPORT CHECK-IN/NOTICE

THE CARRIAGE OF CERTAIN HAZARDOUS MATERIALS, LIKE AEROSOLS, FIREWORKS, AND FLAMMABLE LIQUIDS, ABOARD THE AIRCRAFT IS FORBIDDEN. IF YOU DO NOT UNDERSTAND THESE RESTRICTIONS, FURTHER INFORMATION MAY BE OBTAINED FROM YOUR AIRLINE. CARRIAGE AND OTHER SERVICES PROVIDED BY THE CARRIER ARE SUBJECT TO CONDITIONS OF CARRIAGE, WHICH ARE HEREBY INCORPORATED BY REFERENCE. THESE CONDITIONS CAN BE OBTAINED FROM THE ISSUING CARRIER OR THROUGH ITS WEBSITE. PASSENGERS ON A JOURNEY INVOLVING AN ULTIMATE DESTINATION OR A STOP IN A COUNTRY OTHER THAN THE COUNTRY OF DEPARTURE ARE ADVISED THAT INTERNATIONAL TREATIES KNOWN AS THE MONTREAL CONVENTION, OR ITS PREDECESSOR, THE WARSAW CONVENTION, INCLUDING ITS AMENDMENTS (THE WARSAW CONVENTION SYSTEM), MAY APPLY TO THE ENTIRE JOURNEY, INCLUDING ANY PORTION THERE OF WITHIN A COUNTRY. FOR SUCH PASSENGERS, THE APPLICABLE TREATY, INCLUDING SPECIAL CONTRACTS OF CARRIAGE EMBODIED IN ANY APPLICABLE TARIFFS, GOVERNS AND MAY LIMIT THE LIABILITY OF THE CARRIER. CHECK WITH YOUR CARRIER FOR MORE INFORMATION.

DISCLAIMER

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(Subject to change without prior notice)

PRINTED ON 03:19PM 25JAN18

GRAND PLAZA HOTEL CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Grand Plaza Hotel Corporation** (the "Company"), is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, as at and for the years ended **December 31, 2017** and **2016**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Signature 
Eddie Yeo Ban Heng

Signature 
Yam Kit Sung

Signature 
Katherine Barbosa

Signed this 5 day of Feb. 2018

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	6	6	8	7	8				
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COMPANY NAME

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

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

1	0	t	h		F	l	o	o	r	,		T	h	e		H	e	r	i	t	a	g	e		H	o	t	e	l
M	a	n	i	l	a	,		E	D	S	A		c	o	r	n	e	r											
R	o	x	a	s		B	o	u	l	e	v	a	r	d	,		P	a	s	a	y		C	i	t	y			

Form Type

A	A	F	S
---	---	---	---

Department requiring the report

--

Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's email Address

--

Company's Telephone Number/s

854-8838

Mobile Number

--

No. of Stockholders

--

Annual Meeting (Month / Day)

--

Fiscal Year (Month / Day)

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

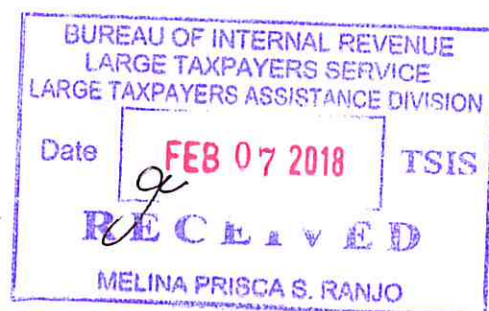
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Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact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

GRAND PLAZA HOTEL CORPORATION

FINANCIAL STATEMENTS
December 31, 2017, 2016 and 2015





R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
Email ph-inquiry@kpmg.com.ph

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, 2017 and 2016, 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, 2017, and notes to the financial statements, including a summary of significant accounting policies.

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, 2017 and 2016, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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



Key Audit Matter

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

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

The risk

As at December 31, 2017, the Company has property and equipment amounting to P508.86 million. Under PFRS, the Company is required to test for impairment when there are impairment indicators. The Company's operating loss has significantly increased in 2017 which indicates that the carrying value of the Company's property and equipment might not be recoverable based on expected historical or projected future operating results. The identification of indicators of impairment and preparation of the estimate of the recoverable amount of an asset or cash-generating unit involves subjective judgments and uncertainties, which requires special audit consideration because of the likelihood and potential magnitude of misstatements to the valuation and/or disclosure for the property and equipment. The impairment test requires the exercise of judgments about future market conditions, including growth rates and discount rates.

Our response

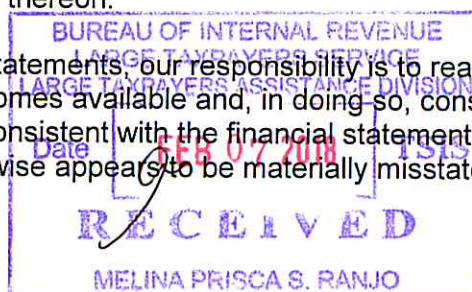
Our audit procedures included, among others, assessing management's determination of the recoverable amount of the Company's property and equipment, which mainly consists of its hotel assets, by reviewing and comparing the value in use determined by management and the fair value as reported by an independent appraiser. We also performed evaluation of the competence, capabilities and objectivity of the independent appraiser and conducted meetings with subject appraiser to obtain understanding of the assumptions used in the valuation report. We evaluated the reasonableness of the key assumptions used by the appraiser in coming up with the recoverable amount, including the projected economic growth, inflation, discount rate, occupancy and room rates through comparison with external sources of market data.

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, 2017, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditor's 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.

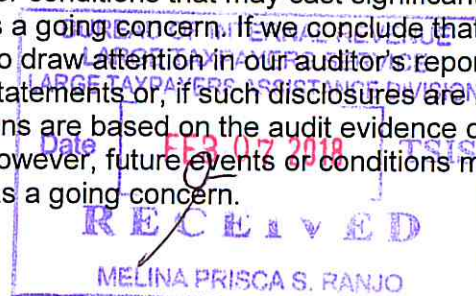
Those charged with governance are responsible for overseeing the Company's financial reporting process.

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 auditor's 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 PSAs 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 PSAs, 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 auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.





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

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

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

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 auditor's 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 Regulation No. 15-2010 of the Bureau of Internal Revenue

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

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

R.G. MANABAT & CO.

ALICIA S. COLUMBRES

Partner

CPA License No. 069679

SEC Accreditation No. 1590-A, Group A, valid until September 29, 2019

Tax Identification No. 120-964-156

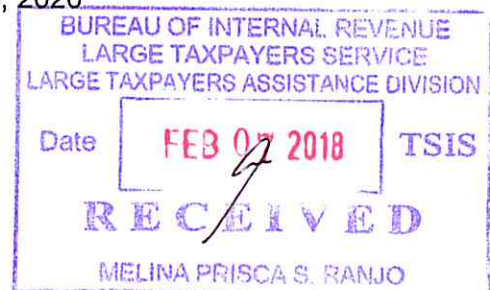
BIR Accreditation No. 08-001987-27-2017

Issued September 5, 2017; valid until September 4, 2020

PTR No. 6615131MD

Issued January 3, 2018 at Makati City

February 5, 2018
Makati City, Metro Manila



GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2017	2016
ASSETS			
Current Assets			
Cash and cash equivalents	4, 25	P242,452,360	P260,870,964
Receivables - net	5, 14, 25	102,364,011	70,464,935
Loan receivable	9, 14, 25	15,500,000	15,500,000
Due from related parties	14, 25	-	179,746
Inventories	6, 15	8,226,910	12,461,866
Prepaid expenses and other current assets	7	20,212,364	16,619,963
Total Current Assets		388,755,645	376,097,474
Noncurrent Assets			
Property and equipment - net	10	508,863,000	564,632,930
Investment in an associate	8, 14	50,285,508	50,697,525
Deferred tax assets - net	22	22,678,087	17,910,444
Other noncurrent assets	11, 14, 20, 25	93,263,973	106,871,476
Total Noncurrent Assets		675,090,568	740,112,375
		P1,063,846,213	P1,116,209,849
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	12, 25	P77,442,167	P66,138,740
Refundable deposits - current portion	19, 20	25,349,438	25,349,438
Due to related parties	14, 20, 25	36,635,132	28,733,572
Other current liabilities	13, 25	18,036,144	14,821,141
Total Current Liabilities		157,462,881	135,042,891
Noncurrent Liabilities			
Refundable deposits - net of current portion	19, 20	2,645,580	3,946,131
Accrued retirement benefits liability	21	26,116,177	25,757,196
Total Noncurrent Liabilities		28,761,757	29,703,327
Total Liabilities		186,224,638	164,746,218
Equity			
Capital stock	24	873,182,700	873,182,700
Additional paid-in capital		14,657,517	14,657,517
Remeasurement gains on defined benefit plan	21	10,069,063	8,629,869
Retained earnings:			
Appropriated	23	1,680,020,370	1,680,020,370
Unappropriated		(20,287,705)	54,993,545
Treasury stock	24	(1,680,020,370)	(1,680,020,370)
Total Equity		877,621,575	951,463,631
		P1,063,846,213	P1,116,209,849

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF PROFIT OR LOSS

		Years Ended December 31		
	Note	2017	2016	2015
REVENUES				
Rooms		P236,509,584	P230,242,108	P287,584,011
Food and beverage		128,794,060	123,428,183	137,481,964
Other operating departments		4,624,115	4,933,879	4,767,442
Others	20	12,858,405	9,943,873	17,518,267
		382,786,164	368,548,043	447,351,684
COST OF SALES AND SERVICES				
Food and beverage		43,895,538	43,805,576	50,925,932
Other operating departments		1,801,090	2,761,511	3,581,260
	15	45,696,628	46,567,087	54,507,192
		337,089,536	321,980,956	392,844,492
SELLING EXPENSES	16	192,312,486	178,448,097	192,493,454
ADMINISTRATIVE EXPENSES	10,17	232,740,724	181,751,946	212,349,400
		425,053,210	360,200,043	404,842,854
NET OPERATING LOSS		(87,963,674)	(38,219,087)	(11,998,362)
OTHER INCOME (EXPENSES)				
Interest income	4, 9, 11, 14, 20	5,887,471	5,349,544	8,946,563
Equity in net income of an associate	8	1,987,983	2,083,824	2,372,464
Foreign exchange gain - net		1,724,293	10,675,578	9,379,100
Income from refundable deposits		-	-	3,986,875
Loss on disposal of property and equipment	10	(34,500)	-	(1,166,747)
Others		-	30,000	880,460
		9,565,247	18,138,946	24,398,715
INCOME (LOSS) BEFORE INCOME TAX		(78,398,427)	(20,080,141)	12,400,353
INCOME TAX EXPENSE (BENEFIT)	22	(3,117,177)	(6,855,231)	6,628,274
NET INCOME (LOSS)		(P75,281,250)	(P13,224,910)	P5,772,079
Basic and Diluted Earnings (Loss) Per Share	18	(P1.40)	(P0.25)	P0.11

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

Years Ended December 31				
	<i>Note</i>	2017	2016	2015
NET INCOME (LOSS)		(P75,281,250)	(P13,224,910)	P5,772,079
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will never be reclassified to profit or loss				
Remeasurement of net defined benefit plan	21	2,055,991	1,720,436	3,899,323
Income tax relating to an item that will not be reclassified subsequently		(616,797)	(516,131)	(1,169,797)
		1,439,194	1,204,305	2,729,526
TOTAL COMPREHENSIVE INCOME (LOSS)		(P73,842,056)	(P12,020,605)	P8,501,605

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

	<i>Note</i>	Capital Stock (Note 24)	Additional Paid-in Capital	Remeasurement Gains on Defined Benefit Plan - net of tax	Retained Earnings		Treasury Stock (Note 24)	Total Equity
					Appropriated (Note 23)	Unappropriated		
Balance at January 1, 2015		P873,182,700	P14,657,517	P4,696,038	P1,680,020,370	P62,446,376	(P1,680,020,370)	P954,982,631
Net income for the year		-	-	-	-	5,772,079	-	5,772,079
Other comprehensive income for the year	21	-	-	2,729,526	-	-	-	2,729,526
Total comprehensive income for the year		-	-	2,729,526	-	5,772,079	-	8,501,605
Balance at December 31, 2015		P873,182,700	P14,657,517	P7,425,564	P1,680,020,370	P68,218,455	(P1,680,020,370)	P963,484,236
Balance at January 1, 2016		P873,182,700	P14,657,517	P7,425,564	P1,680,020,370	P68,218,455	(P1,680,020,370)	P963,484,236
Net loss for the year		-	-	-	-	(13,224,910)	-	(13,224,910)
Other comprehensive income for the year	21	-	-	1,204,305	-	-	-	1,204,305
Total comprehensive loss for the year		-	-	1,204,305	-	(13,224,910)	-	(12,020,605)
Balance at December 31, 2016		P873,182,700	P14,657,517	P8,629,869	P1,680,020,370	P54,993,545	(P1,680,020,370)	P951,463,631
Balance at January 1, 2017		P873,182,700	P14,657,517	P8,629,869	P1,680,020,370	P54,993,545	(P1,680,020,370)	P951,463,631
Net loss for the year		-	-	-	-	(75,281,250)	-	(75,281,250)
Other comprehensive income for the year	21	-	-	1,439,194	-	-	-	1,439,194
Total comprehensive loss for the year		-	-	1,439,194	-	(75,281,250)	-	(73,842,056)
Balance at December 31, 2017		P873,182,700	P14,657,517	P10,069,063	P1,680,020,370	(P20,287,705)	(P1,680,020,370)	P877,621,575

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		(P78,398,427)	(P20,080,141)	P12,400,353
Adjustments for:				
Depreciation and amortization	10, 17	43,323,364	40,066,242	39,558,871
Impairment of property and equipment	10, 17	34,756,269	-	-
Retirement benefits cost	21	2,908,566	2,862,578	3,154,728
Provision for impairment losses on receivables	5, 17, 25	2,247,792	662,207	94,343
Loss on disposal of property and equipment	10	34,500	-	1,166,747
Write-off of receivables	5, 17	-	-	12,617,105
Unrealized foreign exchange gain		(1,595,349)	(10,736,407)	(9,033,582)
Interest income	4, 9, 11, 14, 20	(5,887,471)	(5,349,544)	(8,946,563)
Equity in net income of an associate	8	(1,987,983)	(2,083,824)	(2,372,464)
Operating income (loss) before working capital changes		(4,598,739)	5,341,111	48,639,538
Decrease (increase) in:				
Receivables		(39,787,727)	17,303,428	(6,029,139)
Due from related parties		179,746	(179,696)	300
Inventories		4,234,956	(121,074)	1,652,437
Prepaid expenses and other current assets		(2,933,084)	112,221	306,550
Other noncurrent assets		13,607,503	(2,306,944)	(16,066,960)
Increase (decrease) in:				
Accounts payable and accrued expenses		11,303,427	(16,960,576)	5,180,054
Refundable deposits		(1,300,551)	(1,450,542)	(25,373,708)
Due to related parties		7,901,560	21,935,382	707,947
Other current liabilities		3,215,003	(3,006,799)	(9,131,411)
Net cash generated from (absorbed by) operations		(8,177,906)	20,666,511	(114,392)
Interest received		11,528,330	6,206,422	8,883,369
Income taxes paid		(2,926,580)	(5,269,983)	(8,311,866)
Retirement benefits paid	21	(493,594)	(874,713)	(400,306)
Net cash provided by (used in) operating activities		(69,750)	20,728,237	56,805

Forward

Years Ended December 31				
	Note	2017	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment-net	10	(P22,359,702)	(P13,776,829)	(P6,985,301)
Proceeds from disposal of property and equipment		15,499	-	-
Dividends received from an associate	8	2,400,000	4,000,000	-
Net cash used in investing activities		(19,944,203)	(9,776,829)	(6,985,301)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS				
		1,595,349	10,736,407	9,033,582
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(18,418,604)	21,687,815	2,105,086
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4	260,870,964	239,183,149	237,078,063
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	P242,452,360	P260,870,964	P239,183,149

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 Securities Regulation Code and its shares are listed on the Philippine Stock Exchange (PSE). The Company is 54% owned by The Philippine Fund Limited (TPFL), 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 owns and operates The Heritage Hotel (the “Hotel”), its only operating segment, which is a deluxe class hotel that offers 450 rooms and facilities and amenities such as restaurants, function halls, and a coffee shop. The address of the Company’s registered and principal office is the 10th Floor, The Heritage Hotel Manila, EDSA corner Roxas Boulevard, Pasay City.

2. Basis of Preparation

Statement of Compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

The financial statements as at and for the year ended December 31, 2017 were approved and authorized for issue by the Board of Directors (BOD) on February 5, 2018.

Basis of Measurement

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

Functional and Presentation Currency

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

Use of Estimates and Judgments

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Determining whether an Agreement Contains a Lease

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

Operating Lease

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

- a. the ownership of the asset does not transfer at the end of the lease term;
- b. there is no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- c. the lease term is not for the major part of the economic life of the asset even if title is not transferred;
- d. at the inception of the lease, the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the leased asset; and
- e. the leased assets are not of such a specialized nature that only the lessee can use them without major modifications.

Company as Lessor

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

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 maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectable receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the customers, customers' payment behavior and known market factors. The Company reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a regular basis. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase the recorded administrative expenses and decrease current assets.

As at December 31, 2017 and 2016, the allowance for impairment losses on trade receivables amounted to P16,316,521 and P14,068,729, respectively, while the carrying amount of receivables amounted to P102,364,011 and P70,464,935, respectively (see Note 5).

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, 2017 and 2016, the carrying amount of property and equipment amounted to P508,863,000 and P564,632,930, respectively (see Note 10).

Determination of Fair Values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and nonfinancial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes, when necessary, based on the market values, being the estimated amount for which assets could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. 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).

Estimating Realizability of Deferred Tax Assets

The Company reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Company also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact of deferred tax accordingly.

As of December 31, 2017 and 2016, the Company's unrecognized deferred tax assets amounted to P20,908,784 and nil, respectively. Management does not expect to have sufficient future taxable profit against which the Company can utilize the benefits therefrom. As at December 31, 2017 and 2016, recognized deferred tax assets amounted to P27,472,004 and P24,829,882, respectively (see Note 22).

Estimating Retirement Benefit Obligations

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

The Company's retirement benefits liability amounted to P26,116,177 and P25,757,196 as at December 31, 2017 and 2016, respectively. The retirement benefits cost recognized in profit or loss amounted to P2,908,566, P2,862,578 and P3,154,728 for the years ended December 31, 2017, 2016 and 2015, respectively. Cumulative actuarial gain amounted to P14,384,376 and P12,328,385 as at December 31, 2017 and 2016 (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 2017, the Company recognized an impairment loss amounting to P34,756,269 on its property and equipment. No impairment loss was recognized for the years ended December 31, 2016 and 2015 (see Note 10).

Estimating Provisions and Contingencies

The Company, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations in accordance with its policies on provisions and contingencies. The estimate of the probable costs for the resolution of possible claims has been developed in consultation with its legal counsel and is based upon an analysis of potential results.

There were no provisions or contingencies recognized as at December 31, 2017 and 2016.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all the years presented in these financial statements, except for the changes in accounting policies as explained below.

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

The Company has adopted the following amendments to standards starting January 1, 2017 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Company's financial statements.

- *Disclosure Initiative (Amendments to PAS 7, Statements of Cash Flows)*. The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes - e.g. by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.
- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12, Income Taxes)*. The amendments clarify that:
 - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;
 - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;

- the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
- an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

Standards Issued but Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2017. However, the Company has not applied the following new or amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's financial statements.

Effective January 1, 2018

- *PFRS 9, Financial Instruments (2014)*. PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

The Company, together with its regional corporate office has studied and reviewed the impact of PFRS 9 on the Company. It has done a calculation of loss rate under the simplified approach.

The Company initially calculated the average loss rate for trade receivables due in various ageing buckets based on a 5-year historical data. A default is defined as a receivable that is outstanding for more than 90 days. The receivables are grouped into buckets based on shared credit risk characteristics and Company used days past due.

PFRS 9 states that when a reporting entity is not able without undue cost or effort to measure lifetime expected credit losses on an individual instrument basis, it can measure lifetime expected credit losses on a collective basis. However, the measurement must include comprehensive credit risk information including forward-looking macroeconomic information.

The Company assessed that there is a negative correlation between the country's GDP growth and trade receivable loss rate and a positive growth in the country's GDP should translate to lower loss rate.

Based on this review, the Company estimated that it is not expected to have any Average Historical Loss Rate and Forward Adjusted Loss Rate for receivables due within 180 days. However for receivables more than 180 days, the Average Historical Loss Rate would be 18.84% while the Forward Looking Adjusted Loss Rate would be 33.85%.

Based on the currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company in 2018, the Company does not expect significant impact on its statements of financial position except for the effect of applying the impairment requirements.

- PFRS 15, *Revenue from Contracts with Customers* replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31, *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

The management reviewed the potential impact of PFRS 15 to its current recognition and measurement of various sources of its revenues from its hotel operations. Management assessed that the Company has to revise its recognition and measurement of certain of its sources of revenues such as those from hotel packages and revenues from rooms booked through online travel agents (OTA) whereby there is a commission payable to the OTA. The management, however has not yet fully assessed the financial impact of these changes.

Effective January 1, 2019

- PFRS 16, *Leases* supersedes PAS 17, *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 at or before the date of initial application of PFRS 16.

The Company is currently assessing the potential impact of PFRS 16 and plans to adopt this new standard on leases on the required effective date.

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.

The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The fair value of the consideration given or received is determined by reference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities. The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction cost.

Subsequent to initial recognition, the Company classifies its financial assets in the following categories: held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, financial assets at FVPL, and loans and receivables; while the Company classifies its financial liabilities in the following categories: financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of the Company's financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Company has no financial assets at HTM investments, AFS financial assets, financial assets at FVPL and financial liabilities at FVPL.

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

Loans and Receivables. Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial asset at FVPL. Loans and receivables are carried at cost or amortized cost, less any allowance for impairment losses. Amortization is determined using the effective interest rate method. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through amortization process.

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.

Other Financial Liabilities. This category pertains to nonderivative financial liabilities that are not held for trading or not designated at FVPL at the inception of the liability. They are initially measured at fair value plus transaction costs. Subsequently, these are measured at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

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

Offsetting of Financial Assets and Liabilities

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

Derecognition of Financial Instruments

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

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

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

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Determination of Fair Values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and nonfinancial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes, when necessary, based on the market values, being the estimated amount for which assets could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The different levels of fair value of financial instruments carried at fair value, by valuation method have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Inventories

Inventories are measured at the lower of cost and net realizable value. 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. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of selling expenses. Obsolete inventories are disposed of and related costs are recognized in profit or loss.

Investment in an Associate

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

The Company's investment in an associate is accounted for using the equity method.

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

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

Property and Equipment

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

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

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

The estimated useful lives are as follows:

	Number of Years
Building and building improvements	46 - 50
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 and amortization 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 Assets

Financial Assets

Financial assets are reviewed for impairment at each reporting date.

Assets Carried at Amortized Cost. If there is objective evidence that an impairment loss on receivable carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in profit or loss. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in the collective assessment of impairment. For the purpose of specific evaluation of impairment, the Company assesses whether financial assets are impaired through assessment of collectability of financial assets considering the debtor's capacity to pay, history of payment, and the availability of other financial support. For the purpose of collective evaluation of impairment, if necessary, financial assets are grouped on the basis of such credit risk characteristics such as debtor type, payment history, past-due status and terms.

Assets Carried at Cost. If there is objective evidence that an impairment loss is incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Nonfinancial Assets

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

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

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Capital Stock

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

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

Treasury Stock

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is presented in additional paid-in capital.

Retained Earnings

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

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

Revenue and Expense Recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. The following specific recognition criteria must also be met before revenue is recognized:

Rooms: Revenue is recognized upon actual room occupancy.

Food and Beverage: Revenue is recognized upon delivery of order.

Other Operating Departments: Revenue is recognized upon rendering of service.

Other Income: Rent income from operating lease is recognized on a straight-line basis over the lease term.

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

Costs and expenses are recognized when incurred.

Determination of whether the Company is Acting as a Principal or an Agent

The Company assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:

- whether the Company has primary responsibility for providing the goods and services;
- whether the Company has discretion in establishing prices; and
- whether the Company bears the credit risk.

If the Company has determined it is acting as a principal, the Company recognizes revenue on a gross basis with the amount remitted to the other party being accounted as part of costs and expenses. If the Company has determined it is acting as an agent, only the net amount retained is recognized as revenue.

The Company assessed its revenue arrangements and concluded that it is acting as principal in all arrangements.

Foreign Currency Transactions

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

Operating Segment

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

The Company determines and presents operating segments based on the information that is internally provided to the Chief Operating Officer, who is the Company's chief operating decision maker. The Company assessed that its hotel business represents its only operating segment.

Operating Leases - Company as Lessee

The Company leases the land it occupies from a related party under a long-term lease agreement. Management has determined that all significant risks and rewards of this property remain with the lessor. Accordingly, such lease is accounted for as operating lease.

Operating Leases - Company as 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.

Taxes

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

Current Tax

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

Deferred Tax

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, and the carryforward tax benefits of unused net operating loss carryover (NOLCO) and unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT). Deferred tax is not recognized for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

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

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

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

Earnings per Share

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

Related Parties

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or significant influence. 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	2017	2016
Cash on hand and in banks		P39,022,815	P60,186,867
Short-term investments		203,429,545	200,684,097
	25	P242,452,360	P260,870,964

Cash in banks earn annual interest at the prevailing bank deposit rates. Short-term investments consist mainly of time deposits which earn annual interest ranging from 0.42% to 0.86%, 0.32% to 0.50% and 0.28% to 0.60% in 2017, 2016 and 2015, respectively. Interest income earned from this account amounted to P1,212,471, P686,805 and P575,745 for the years ended December 31, 2017, 2016 and 2015, respectively.

5. Receivables

This account consists of:

	Note	2017	2016
Trade:			
Charge customers	25	P68,277,891	P30,586,220
Others		21,502,021	19,876,151
		89,779,912	50,462,371
Utility charges		16,937,106	17,722,756
Interest	14	4,577,955	10,218,814
Advances to employees		968,425	1,360,583
Others	14	6,417,134	4,769,140
		118,680,532	84,533,664
Less allowance for impairment losses on trade receivables	25	16,316,521	14,068,729
	25	P102,364,011	P70,464,935

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

The Company was assessed by the Bureau of Internal Revenue (BIR) in 2008 for deficiency VAT with respect to the years 1996 to 2002, related to the accumulated 10% VAT (up to 2005; before transition of VAT rate) and 12% VAT (2006; effective of VAT rate transition) on transactions with PAGCOR, which the Company contested in the Court of Tax Appeals (CTA).

On February 18, 2011, the CTA ruled in favor of the Company and cancelled the VAT deficiency assessment.

On May 17, 2011, the CTA denied the Commissioner of Internal Revenue's (CIR) motion for reconsideration of the February 18, 2011 CTA's decision. The BIR then filed its appeal with the CTA En Banc.

On July 27, 2012, the CTA En Banc resolved that consistent with the pronouncement of the SC in the cases of BIR vs. Acesite Hotel Corporation and PAGCOR vs. BIR, that services rendered to PAGCOR are exempt from VAT, BIR's petition has no leg to stand on and must necessarily fall. The BIR filed a Motion for Reconsideration.

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

On May 6, 2013, the Company filed its Comment/Opposition to the Petition for Review and is awaiting feedback from the SC. On October 17, 2013, the Company received a Notice from the SC directing the BIR to file a reply within 10 days from receipt of Notice.

On October 8, 2014, the SC declared the BIR Manifestation and Motion dated April 11, 2014 as unsatisfactory compliance with the Resolution dated January 28, 2013. The SC directed the BIR to comply with the Resolution by submitting the required documents within five days from notice.

On December 16, 2014, the Company filed a Manifestation and Motion to Dismiss the Petition by the BIR for non-compliance with the jurisdictional requirements.

On June 9, 2015, the Company received a Notice from the Court of the First Division of the SC stating that on February 11, 2015, the First Division of the SC resolved to note the Company's Manifestation and grant the Company'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 SC, which required the CIR to submit a verified statement of material date and the duplicate original or certified true copies of the assailed CTA decision and resolution. The Notice also stated that the Tax Case is considered closed and terminated.

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

On November 13, 2015, the Company received a Notice from the SC denying the Motion for Reconsideration of the BIR and ruled it with finality in favor of the Company.

On September 8, 2016, the Company received an Entry of Judgment dated April 8, 2016, as ordered by the Supreme Court, certifying that the Resolution dated February 11, 2015, which deemed the case as closed and terminated, has become final and executory.

Trade-charge customers include receivables from PAGCOR amounting to P29,409,140, in 2017 and 2016 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 (see Note 19).

With the termination of the case, the Company reversed in 2015 the VAT receivable from PAGCOR amounting to P216,419,467 and the related Output VAT payable amounting to P203,802,362. The difference of P12,617,105 between the amounts reversed was recognized as part of "Administrative Expenses" (see Note 17).

The Company's exposure to credit risks and impairment losses related to trade receivables from charge customers is disclosed in Note 25.

6. Inventories

Inventories carried at cost consists of:

	Note	2017	2016
General supplies		P2,969,114	P3,929,878
Engineering supplies		2,675,923	2,639,927
Food		1,671,725	4,688,602
Beverage and tobacco		575,307	1,066,312
Others		334,841	137,147
	15	P8,226,910	P12,461,866

There was no write down of inventories to NRV in each of the three years in the period ended December 31, 2017.

7. Prepaid Expenses and Other Current Assets

This account consists of:

	2017	2016
Input VAT	P9,167,232	P6,661,827
Prepaid income tax	5,467,414	4,808,097
Prepaid expenses	4,885,489	4,287,019
Deposits:		
Utilities deposit	531,730	531,730
Rental deposit	19,357	19,357
Others	141,142	311,933
	P20,212,364	P16,619,963

Input VAT is current and can be applied against output VAT.

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), a Philippine corporation engaged in the real estate business (see Note 14).

This account consists of:

	2017	2016
Acquisition cost	P48,200,000	P48,200,000
Accumulated share in net earnings:		
Balance at beginning of year	2,497,525	4,413,701
Equity in net income	1,987,983	2,343,901
Dividends received	(2,400,000)	(4,000,000)
Adjustments*	-	(260,077)
Balance at end of year	2,085,508	2,497,525
	P50,285,508	P50,697,525

* This pertains to a downward adjustment in prior year's share in net income/total comprehensive income which is offset against equity in net income in 2016 resulting to the balance of P2,083,824.

A summary of the financial information of HLC follows:

	2017	2016
Current assets	P29,817,629	P33,484,061
Noncurrent assets	121,830,382	121,830,382
Current liabilities	(1,963,915)	(4,600,304)
Noncurrent liability	(78,000,000)	(78,000,000)
Net liabilities (100%)	(P71,684,096)	(P72,714,139)
Company's share of net liabilities (40%)	P28,673,638	P29,085,656
Revenue	P17,797,608	P17,797,608
Net income/total comprehensive income (100%)	P4,969,957	P5,859,753
Company's share in net income/total comprehensive income (40%)	P1,987,983	P2,343,901

9. Loan Receivable

This pertains to the loan granted to Rogo Realty Corporation (RRC), a company under common control, collateralized by RRC's investment in shares of stock of HLC with a carrying value of P72,300,000 as at December 31, 2017 and 2016 and is collectable on demand with interest rate of 5% per annum (see Note 14).

Interest income earned in 2017, 2016 and 2015 amounted to P775,000 for each year.

10. Property and Equipment

The movements and balances in this account are as follows:

	Building and Building Improvements	Furniture Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Total
Cost					
Balance, January 1, 2016	P1,013,684,994	P369,318,016	P4,158,198	P385,157	P1,387,546,365
Additions	12,350,886	1,425,943	-	-	13,776,829
Reclassification	(5,369,785)	5,369,785	-	-	-
Balance, December 31, 2016	1,020,666,095	376,113,744	4,158,198	385,157	1,401,323,194
Additions	5,047,980	15,701,052	1,610,670	-	22,359,702
Disposals	-	(2,752,094)	-	-	(2,752,094)
Balance, December 31, 2017	1,025,714,075	389,062,702	5,768,868	385,157	1,420,930,802
Accumulated Depreciation and Amortization					
Balance, January 1, 2016	459,930,179	332,150,488	4,158,198	385,157	796,624,022
Depreciation and amortization during the year	26,235,446	13,830,796	-	-	40,066,242
Balance, December 31, 2016	486,165,625	345,981,284	4,158,198	385,157	836,690,264
Depreciation and amortization during the year	27,764,692	15,451,294	107,378	-	43,323,364
Disposals	-	(2,702,095)	-	-	(2,702,095)
Balance, December 31, 2017	513,930,317	358,730,483	4,265,576	385,157	877,311,533
Impairment loss					
Balance, January 1, 2017	-	-	-	-	-
Impairment during the year	32,956,783	1,703,373	96,113	-	34,756,269
Balance, December 31, 2017	32,956,783	1,703,373	96,113	-	34,756,269
Carrying Amount					
December 31, 2016	P534,500,470	P30,132,460	P -	P -	P564,632,930
December 31, 2017	P478,826,975	P28,628,846	P1,407,179	P -	P508,863,000

The Company recognized loss on disposals of property and equipment amounting to P34,500, nil and P1,166,747 for the years ended December 31, 2017, 2016 and 2015, respectively.

The Company's operating loss has significantly increased in 2017 which indicates that the carrying value of the Company's property and equipment might not be recoverable based on expected historical or projected future operating results. 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. The fair value determined by the independent appraiser was compared by management to the assets' estimated value in use to determine the recoverable value of its property and equipment.

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 (DCF) 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 industries.

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 10% in 2017.

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 growth rate used is 2% in 2017.

The estimated recoverable amount of the property and equipment exceeded its carrying amount. Accordingly, the Company recognized impairment loss amounting to P34,756,269 in 2017 (see Note 17). 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 individually for the estimated recoverable amount to be equal to the carrying amount.

	Change required for carrying amount to equal recoverable amount
Discount rate	(4%)
Terminal value growth rate	31%

11. Other Noncurrent Assets

This account consists of:

	<i>Note</i>	2017	2016
Lease deposit	14, 20, 25	P78,000,000	P78,000,000
Miscellaneous investments and deposits		8,781,609	8,781,609
Advances to suppliers		5,472,364	19,079,867
Others		1,010,000	1,010,000
		P93,263,973	P106,871,476

Miscellaneous investments and deposits consist of utility and rent deposits.

12. Accounts Payable and Accrued Expenses

This account consists of:

	<i>Note</i>	2017	2016
Trade		P41,411,030	P31,727,772
Accrued payroll		20,146,245	13,328,189
Accrued other liabilities		10,034,705	15,662,595
Accrued utilities		5,351,062	4,921,059
Others		499,125	499,125
	25	P77,442,167	P66,138,740

Trade payables have normal terms of 30 to 45 days.

Accrued other liabilities consists of cable and television, 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	2017	2016
Payable to government agencies		P6,302,097	P4,671,087
Deposits for utilities	25	5,184,148	4,789,028
Payable to employees	25	3,521,702	3,240,892
Output VAT payable	5	1,797,042	557,582
Rewards redemption payable	25	644,202	1,386,387
Others	25	586,953	176,165
		P18,036,144	P14,821,141

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 follow:

Category/ Transaction	Year	Note	Amount of the Transaction	Outstanding Balance		Terms	Conditions
				Due from Related Parties	Due to Related Parties		
Associate							
▪ Lease deposit	2017	11, 20	P -	P78,000,000	P -	Required lease	Collectable upon
	2016		-	78,000,000	-	deposit on the	termination of the
	2015		-	78,000,000	-	leased land	contract
▪ Interest income	2017	14b, 20	3,900,000	3,085,064	-	5% per annum	Unsecured; no
	2016		3,900,000	3,900,000	-	of the lease	impairment
	2015		3,900,000	-	-	deposit	
▪ Advances	2016	14a	4,061	4,061	-	Due and	Unsecured; no
	2015		2,221	-	-	demandable;	impairment
						non interest	
						bearing	
▪ Rent expense	2017	17, 20	17,797,608	-	4,760,860	Due and	Unsecured
	2016		17,797,608	-	4,760,860	demandable;	
	2015		17,797,608	-	-	non interest	
						bearing	
▪ Rent income	2017		180,000	-	-	Due and	Unsecured
	2016		180,000	-	-	demandable;	
	2015		180,000	-	-	non interest	
						bearing	
Under Common Control							
▪ Management and incentive fees	2017	14d, 17	14,223,858	-	23,452,520	Due and	Unsecured
	2016		14,515,526	-	20,316,722	demandable;	
	2015		20,762,185	-	6,236,662	non interest	
						bearing	
▪ Advances	2017	14a	4,765,762	-	8,421,752	Due and	Unsecured;
	2016		3,270,097	175,685	3,655,990	demandable;	no impairment
	2015		8,420,793	50	561,528	non interest	
						bearing	
▪ Loan	2017	9, 14c	-	15,500,000	-	Due and	Unsecured;
	2016		-	15,500,000	-	demandable;	no impairment
	2015		-	15,500,000	-	interest bearing	
▪ Interest income	2017	9, 14c	775,000	1,330,150	-	5% per annum of	Unsecured;
	2016		775,000	6,305,878	-	the loan	no impairment
	2015		775,000	11,000,000	-	receivable	
▪ Rent income	2017	14e	420,000	-	-	Due and	Unsecured
	2016		420,000	-	-	demandable;	
	2015		420,000	-	-	non interest	
						bearing	
Key Management Personnel of the Entity							
▪ Short term employee benefits	2017	14f	22,716,935	-	-		
	2016		20,609,402	-	-		
	2015		17,699,951	-	-		
TOTAL	2017			P97,915,214	P36,635,132		
TOTAL	2016			P103,885,624	P28,733,572		
TOTAL	2015			P104,500,050	P6,798,190		

Due from related parties is included in the following accounts:

	Note	2017	2016
Receivables - net	5, 20	P4,415,214	P10,205,878
Loan receivable	9	15,500,000	15,500,000
Due from related parties	25	-	179,746
Other noncurrent assets	11, 20	78,000,000	78,000,000
		P97,915,214	P103,885,624

- a. The Company grants/obtains advances to/from related parties for working capital purposes. These advances are non-interest bearing, unsecured and receivable/payable on demand.
- b. The interest receivable from HLC, an associate, represents the uncollected interest on the lease deposit of the Company to HLC at 5% a year (see Note 20). The related interest income amounted to P3,900,000 annually for the three-year period ended December 31, 2017.
- c. The interest receivable from RRC, an entity under common control, represents the uncollected interest on the loan granted by the Company to RRC at 5% per annum (see Note 9). The related interest income amounted to P775,000 annually for the three-year period ended December 31, 2017.
- d. The Company has a Management Agreement with Elite Hotel Management Services Pte. Ltd - Philippine Branch (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.
- 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.
- f. Transactions with Key Management Personnel
The total remuneration of key management personnel in the form of short-term employee benefits is shown below:

	2017	2016	2015
Executive officers	P17,732,007	P16,642,511	P15,408,266
Directors of hotel operations	4,984,928	3,966,891	2,291,685
	P22,716,935	P20,609,402	P17,699,951

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

Due from and to related parties are normally settled in cash. As at December 31, 2017 and 2016, the Company determined due from related parties to be fully recoverable, hence, no impairment has been recognized.

15. Cost of Sales and Services

This account consists of:

	<i>Note</i>	2017	2016	2015
Inventories at beginning of year	6	P12,461,866	P12,340,792	P13,993,229
Purchases		41,461,672	46,688,161	52,854,755
Available for sale and use		53,923,538	59,028,953	66,847,984
Inventories at end of year	6	(8,226,910)	(12,461,866)	(12,340,792)
		P45,696,628	P46,567,087	P54,507,192

16. Selling Expenses

This account consists of:

	2017	2016	2015
Salaries, wages and employee benefits:			
Food and beverage	P30,363,048	P28,607,305	P31,099,865
Rooms	29,177,221	27,326,095	29,815,663
Other operating departments	1,182,110	1,307,776	1,265,462
	60,722,379	57,241,176	62,180,990
Property operation, maintenance, energy and conservation	89,554,403	75,845,077	80,483,496
Guest supplies	8,466,751	7,835,824	9,793,976
Commission	6,151,887	8,139,941	8,049,420
Online selling and marketing tools	5,308,067	1,646,041	3,442,052
Transport charges	5,132,918	6,061,651	6,302,642
Permits and licenses	1,942,352	355,002	514,452
Kitchen fuel	1,739,623	1,589,234	1,716,756
Housekeeping expenses	1,656,028	1,593,560	1,436,580
Printing and stationery	1,476,416	1,673,393	1,946,830
Operating supplies	1,216,617	1,082,475	1,263,205
Laundry and dry cleaning	936,399	834,310	1,078,249
Music and entertainment	900,953	1,099,837	1,086,648
Cleaning supplies	629,349	594,517	643,835
Miscellaneous	6,478,344	12,856,059	12,554,323
	P192,312,486	P178,448,097	P192,493,454

17. Administrative Expenses

This account consists of:

	Note	2017	2016	2015
Hotel overhead departments				
Salaries, wages and employee benefits:				
Administrative and general		P36,909,364	P28,813,356	P33,525,853
Sales and marketing		11,567,424	8,402,968	7,885,728
Engineering		10,189,099	8,812,510	9,711,386
Human resources		2,689,184	2,783,277	2,234,627
		61,355,071	48,812,111	53,357,594
Management and incentive fees	14	14,223,858	14,515,526	20,762,185
Dues and subscription		3,687,876	5,806,374	4,644,950
Credit card commission		3,628,468	4,281,570	5,632,812
Data processing		2,600,066	2,354,874	2,254,199
Telecommunications		1,089,375	1,314,297	1,036,083
Awards and social activities		853,876	693,825	572,725
Entertainment		751,775	1,010,125	751,766
Advertising		699,432	1,022,648	1,044,046
Miscellaneous		635,329	3,524,330	3,026,379
		89,525,126	83,335,680	93,082,739
Corporate office				
Depreciation and amortization	10	43,323,364	40,066,242	39,558,871
Impairment loss on property and equipment	10	34,756,269	-	-
Leased land rental	14, 20	17,797,608	17,797,608	17,797,608
Corporate office payroll and related expense		11,893,442	10,997,805	11,471,410
Property tax		9,265,681	9,265,681	9,265,681
Insurance		7,702,357	9,186,573	8,976,761
Professional fees		7,386,545	6,344,821	14,357,245
Office supplies		2,931,002	1,482,307	1,023,143
Provision for impairment losses on receivables	25	2,247,792	662,207	94,343
Directors' fees/allowances		1,005,210	1,036,871	398,708
Taxes and licenses		477,942	141,498	543,516
Transportation and travel		331,169	242,566	520,706
Write-off of receivables	5	-	-	12,617,105
Miscellaneous		4,097,217	1,192,087	2,641,564
		143,215,598	98,416,266	119,266,661
		P232,740,724	P181,751,946	P212,349,400

18. Earnings per Share

Basic and diluted earnings (loss) per share are computed as follows:

	2017	2016	2015
Weighted average number of common shares:			
Balance at beginning and end of year	53,717,369	53,717,369	53,717,369
Net income (loss) for the year	(P75,281,250)	(P13,224,910)	P5,772,079
Divided by weighted average number of outstanding shares	53,717,369	53,717,369	53,717,369
	(P1.40)	(P0.25)	P0.11

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

19. Refundable Deposits

This account consists of:

	Note	2017	2016
PAGCOR	20	P25,349,438	P25,349,438
Others	20	2,645,580	3,946,131
		27,995,018	29,295,569
Less: Current portion		25,349,438	25,349,438
		P2,645,580	P3,946,131

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 pending reconciliation of account between both parties (see Note 5).

20. Leases**Company as Lessor**

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

The lease agreements with the third parties required the latter to give the Company lease deposits which amounted to a total of P27,995,018 and P29,295,569 as at December 31, 2017 and 2016, respectively, and are shown as "Refundable deposits" in the statements of financial position. Rent income amounted to P3,025,870, P2,409,389 and P2,847,052 in 2017, 2016 and 2015, respectively, and is included in "Others" under Revenue in the statements of profit or loss.

On February 15, 2012, the BOD of PAGCOR decided not to renew the contract of lease which ended on July 10, 2013. Refundable deposit from PAGCOR amounting to P25,349,438 is not yet returned to the latter 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 19).

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 rent expense on the land amounted to P17,797,608 shown as part of leased land rental under "Administrative expenses" account for each of the three-year period ended December 31, 2017 (see Note 17).

Future minimum rental obligations on the land are as follows:

	2017	2016	2015
Due within one year	P17,797,608	P17,797,608	P17,797,608
After one year but not more than five years	88,988,040	88,988,040	88,988,040
More than 5 years	284,761,728	302,559,336	320,356,944
	P391,547,376	P409,344,984	P427,142,592

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, 2017.

The recognized liability representing the present value of the defined benefit obligation presented as "Accrued retirement benefits liability" in the Company's statements of financial position amounted to P26,116,177 and P25,757,196 as at December 31, 2017 and 2016, respectively.

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

	2017	2016
Balance at January 1	P25,757,196	P25,489,767
Included in Profit or Loss		
Current service cost	1,723,735	1,690,049
Interest cost	1,184,831	1,172,529
	2,908,566	2,862,578
Included in Other Comprehensive Income (OCI)		
Remeasurement loss (gain):		
Actuarial loss (gain) arising from:		
Financial assumptions	(1,190,650)	(2,598,764)
Experience adjustment	(865,341)	878,328
	(2,055,991)	(1,720,436)
Others		
Benefits paid	(493,594)	(874,713)
Balance at December 31	P26,116,177	P25,757,196

The amounts of retirement benefits cost which are included in "Salaries, wages and employee benefits" under operating expenses in the statements of profit or loss for the years ended December 31 are as follows:

	2017	2016	2015
Current service cost	P1,723,735	P1,690,049	P1,796,360
Interest cost	1,184,831	1,172,529	1,358,368
Retirement benefits cost	P2,908,566	P2,862,578	P3,154,728

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

	2017	2016	2015
Cumulative actuarial gain at the beginning of the year	P12,328,385	P10,607,949	P6,708,626
Actuarial gain (loss) arising from:			
Financial assumptions	1,190,650	2,598,764	(1,266,784)
Experience adjustment	865,341	(878,328)	5,166,107
Cumulative actuarial gain at the end of the year	P14,384,376	P12,328,385	P10,607,949

The net accumulated actuarial gain, net of deferred tax amounted to P10,069,063, P8,629,869 and P7,425,564 as at December 31, 2017, 2016 and 2015, respectively, as presented in the statements of changes in equity.

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

	2017	2016	2015
Discount rate	5%	5%	5%
Future salary increases	2%	2%	3%

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:

2017	Increase	Decrease
Discount rate (1% movement)	(P2,593,662)	P2,593,662
Future salary increase rate (1% movement)	2,593,662	(2,593,662)
2016	Increase	Decrease
Discount rate (1% movement)	(P2,346,910)	P2,707,918
Future salary increase rate (1% movement)	2,578,764	(2,295,672)

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 12 years as at December 31, 2017 and 2016.

The maturity analysis of the benefit payments is as follows:

	2017				
	Carrying Amount	Contractual Cash Flows	1 - 5 Years	6 - 10 Years	More than 10 Years
Retirement benefits liability	P26,116,177	P84,856,795	P10,271,989	P16,252,705	P58,332,101
	2016				
	Carrying Amount	Contractual Cash Flows	1 - 5 Years	6 - 10 Years	More than 10 Years
Retirement benefits liability	P25,757,196	P86,799,862	P8,739,616	P12,472,281	P65,587,965

The Company is not required to pre-fund the future defined benefits payable under the Retirement Fund before they become due. For this reason, the amount and timing of contributions to the Retirement Fund are at the Company's discretion. However, in the event a benefit claim arises, the Company will be liable to pay its employees.

22. Income Tax

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

	2017	2016	2015
Current tax expense	P2,267,263	P2,612,532	P4,358,744
Deferred tax expense (benefit)	(5,384,440)	(9,467,763)	2,269,530
	(P3,117,177)	(P6,855,231)	P6,628,274

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

	2017	2016	2015
Income (loss) before income tax	(P78,398,427)	(P20,080,141)	P12,400,353
Income tax expense at statutory tax rate (30%)	(P23,519,528)	(P6,024,042)	P3,720,106
Additions to (reductions in) income tax resulting from the tax effects of:			
Derecognized deferred tax assets on NOLCO MCIT	9,183,588	-	-
Unrecognized deferred tax assets on NOLCO and MCIT	11,725,196	-	-
Income subjected to final tax	(62,182)	(206,042)	(172,724)
Equity in net income of an associate	(596,395)	(625,147)	(711,739)
Non deductible expense	152,144	-	3,792,631
	(P3,117,177)	(P6,855,231)	P6,628,274

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

2017	Net Balance at January 1	Recognized in Profit or Loss	Recognized in OCI	December 31		
				Net Balance	Deferred Tax Assets	Deferred Tax Liabilities
Accrued retirement benefits liability	P11,425,675	P724,492	P -	P12,150,167	P12,150,167	P -
Allowance for impairment loss on receivables	4,220,619	674,338	-	4,894,957	4,894,957	-
Allowance for impairment loss on property and equipment	-	10,426,880	-	10,426,880	10,426,880	-
Unrealized foreign exchange gain	(3,220,922)	2,742,318	-	(478,604)	-	(478,604)
Actuarial gain on defined benefit plan	(3,698,516)	-	(616,797)	(4,315,313)	-	(4,315,313)
NOLCO	6,571,056	(6,571,056)	-	-	-	-
MCIT	2,612,532	(2,612,532)	-	-	-	-
Net tax assets and liabilities	P17,910,444	P5,384,440	(P616,797)	P22,678,087	P27,472,004	(P4,793,917)

2016	Net Balance at January 1	Recognized in Profit or Loss	Recognized in OCI	December 31		
				Net Balance	Deferred Tax Assets	Deferred Tax Liabilities
Accrued retirement benefits liability	P10,829,315	P596,360	P -	P11,425,675	P11,425,675	P -
Allowance for impairment loss on receivables	4,021,957	198,662	-	4,220,619	4,220,619	-
Unrealized foreign exchange gain	(2,710,075)	(510,847)	-	(3,220,922)	-	(3,220,922)
Actuarial gain on defined benefit plan	(3,182,385)	-	(516,131)	(3,698,516)	-	(3,698,516)
NOLCO	-	6,571,056	-	6,571,056	6,571,056	-
MCIT	-	2,612,532	-	2,612,532	2,612,532	-
Net tax assets and liabilities	P8,958,812	P9,467,763	(P516,131)	P17,910,444	P24,829,882	(P6,919,438)

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

2017	
NOLCO	P53,429,964
MCIT	4,879,795
	P58,309,759

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

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

Year Incurred	Amount	Expired	Unexpired	Expiry Date
2017	P31,526,440	P -	P31,526,440	December 31, 2020
2016	21,903,524	-	21,903,524	December 31, 2019
	P53,429,964	P -	P53,429,964	

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

Year Incurred	Amount	Expired	Unexpired	Expiry Date
2017	P2,267,263	P -	P2,267,263	December 31, 2020
2016	2,612,532	-	2,612,532	December 31, 2019
	P4,879,795	P -	P4,879,795	

23. Appropriated Retained Earnings

Appropriated retained earnings represent appropriations for treasury stock amounting to P1,680,020,370.

24. Share Capital

a. Capital Stock

	2017	2016
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, 2017 and 2016, 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, 2017 and 2016 represents the maximum credit exposure. The maximum exposure to credit risk at the reporting dates is as follows:

	Note	2017	2016
Cash and cash equivalents*	4	P239,821,855	P256,592,596
Receivables - net**	5, 14	102,335,763	69,064,939
Loan receivable	9, 14	15,500,000	15,500,000
Due from related parties	14	-	179,746
Lease deposit	11	78,000,000	78,000,000
		P435,657,618	P419,337,281

*Excluding cash on hand of P2,630,505 and P4,278,368 in 2017 and 2016, respectively.

**Excluding deposits to suppliers

Details of trade receivables from charge customers as at December 31, 2017 and 2016 by type of customer are as follows:

	Note	2017	2016
Embassy and government		P22,296,344	P1,859,248
Airlines		12,227,953	6,591,481
Corporations		4,490,463	1,872,032
Credit cards		2,808,165	2,290,542
Travel agencies		851,470	2,743,071
Others		25,603,496	15,229,846
	5	68,277,891	30,586,220
Less allowance for impairment losses on trade receivables - charge customers		3,392,021	1,144,229
		P64,885,870	P29,441,991

The Company's most significant customer, Embassy and government, accounts for 33% of the trade receivables from charge customers as at December 31, 2017.

The Company's most significant customer, Airlines, accounts for 22% of the trade receivables from charge customers as at December 31, 2016.

The aging of trade receivables from charge customers as at December 31, 2017 and 2016 is as follows:

	2017		2016	
	Gross Amount	Impairment	Gross Amount	Impairment
Current	P21,057,371	P -	P10,278,926	P -
Over 30 days	20,979,718	-	5,569,305	-
Over 60 days	6,067,771	-	2,665,746	-
Over 90 days	20,173,031	3,392,021	12,072,243	1,144,229
	P68,277,891	P3,392,021	P30,586,220	P1,144,229

As at December 31, 2017 and 2016, receivables from PAGCOR amounting to P8,078,665 included in over 90 days are still collectable based on management's assessment of collection history, 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 movements in the allowance for impairment losses in respect of trade receivables during the year are as follows:

	Note	Amount
Balance at January 1, 2016		P13,406,522
Provision in 2016	17	662,207
Balance at December 31, 2016	5	P14,068,729
Provision in 2017	17	2,247,792
Balance at December 31, 2017	5	P16,316,521

The allowance for impairment losses on trade receivables as of December 31, 2017 and 2016 of P16,316,521 and P14,068,729, respectively, relates to outstanding accounts of customers that are more than 90 days past due and portion of receivable from PAGCOR account recorded in Other trade receivables account.

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

	As at December 31, 2017			
	Grade A	Grade B	Grade C	Total
Cash in banks and cash equivalents	P239,821,855	P -	P -	P239,821,855
Receivables - net	29,043,918	47,051,043	26,240,801	102,335,763
Loan receivable	-	15,500,000	-	15,500,000
Lease deposit	78,000,000	-	-	78,000,000
	P346,865,773	P62,551,043	P26,240,801	P435,657,618

	As at December 31, 2016			
	Grade A	Grade B	Grade C	Total
Cash in banks and cash equivalents	P256,592,596	P -	P -	P256,592,596
Receivables - net	27,019,172	23,853,817	18,191,950	69,064,939
Loan receivable	-	15,500,000	-	15,500,000
Due from related parties	179,746	-	-	179,746
Lease deposit	78,000,000	-	-	78,000,000
	P361,791,514	P39,353,817	P18,191,950	P419,337,281

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.

Cash in banks is considered good quality (Grade A) as this pertains to deposits in reputable banks.

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, 2017 and 2016 amounted to P157,462,881 and P135,042,891, respectively, which are less than its total current assets of P388,755,645 and P376,097,474, respectively. Thus, the Company has sufficient funds to pay for its current liabilities and has minimal liquidity risk.

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. 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 a denominated in a currency other than the Company's functional currency. The currencies giving rise to this risk are primarily the Philippine peso (PHP) and United States (US) dollar. 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.

Fair Values

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

	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	P242,452,360	P242,452,360	P260,870,964	P260,870,964
Receivables - net	102,335,763	102,335,763	69,064,939	69,064,939
Loan receivable	15,500,000	15,500,000	15,500,000	15,500,000
Due from related parties	-	-	179,746	179,746
Lease deposit	78,000,000	78,000,000	78,000,000	78,000,000
Accounts payable and accrued expenses**	76,943,042	76,943,042	65,639,615	65,639,615
Due to related parties	36,635,132	36,635,132	28,733,572	28,733,572
Refundable deposits	27,995,018	27,995,018	29,295,569	29,295,569
Other current liabilities*	9,937,005	9,937,005	9,592,472	9,592,472

*Excluding payables to government

**Excluding Others

Estimation of Fair Values

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

Cash and Cash Equivalents

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

Receivables/Due from Related Parties/Loan Receivable/Accounts Payable and Accrued Expenses/Due to Related Parties/Other Current Liabilities Except for Output VAT Liability and Other Statutory Payables

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

Lease Deposit

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

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 accrued 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, 2017 and 2016, the Company is compliant with the minimum public float requirement by the Philippine Stock Exchange (PSE).

The Company has 115,000,000 shares registered with the SEC as at December 31, 2017 and 2016. As at December 31, 2017 and 2016, the Company issue/offer price is P12.00 and P15.03, respectively, based on the Philippine Stock Exchange (PSE) website. The total number of shareholders is 15,032 and 13,525 as at December 31, 2017 and 2016, respectively.

26. Contingencies

The Company, in the ordinary course of business, is a party to certain assessment, claims and litigation. The outcome of these assessments, claims and litigation cannot be presently determined. In the opinion of management and the Company's legal counsel, the eventual liability arising from these assessments, claims and litigation, if any, will not have a material effect on the Company's financial position or results of operations.

27. Reclassification of Accounts

Certain accounts were reclassified from current assets to noncurrent assets in the 2016 financial statements to conform with the 2017 presentation.

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

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRSs. The following is the tax information required for the taxable year ended December 31, 2017:

I. Based on RR No. 15-2010**A. Value Added Tax (VAT)**

1. Output VAT	P44,747,117
Account title used:	
Basis of the Output VAT:	
Vatable sales	P356,198,087
Sales to Government	16,694,552
Zero rated sales	7,052,129
Exempt sales	2,841,396
	P382,786,164
2. Input VAT	
Beginning of the year	P6,661,827
Input tax deferred on capital goods from previous period	1,557,051
Current year's domestic purchases:	
a. Goods for resale/manufacture or further processing	5,603,542
b. Services lodged under other accounts	18,962,373
Claims for tax credit/refund and other adjustments	
a. Claims for tax credit/refund	834,728
b. Input tax on sale to Government	138,207
Less: Applied input VAT during the year	24,590,496
Balance at the end of the year	P9,167,232

B. Withholding Taxes

Tax on compensation and benefits	P20,811,114
Creditable withholding taxes	6,765,441
	P27,576,555

C. All Other Taxes (Local and National)

<i>Other taxes paid during the year recognized under</i>	
<i>Operating Expenses</i>	
Real estate taxes	P9,265,681
License and permit fees	2,420,294
	P11,685,975

D. Deficiency Tax Assessments

Period Covered	Amount*
2001	P2,282,215
2008	508,101,387
	P510,383,602

**Amount of basic deficiency tax assessments, whether protested or not.*

E. Tax Cases

As at December 31, 2017, the Company has the following tax case:

2008 - The Company filed a petition for review with the CTA on February 20, 2015 to invalidate the collection proceedings of the BIR.

On 7 March 2017, the Company filed an "Urgent Motion to Allow Payment of Taxes" with the CTA. On 24 August 2017, the Company withdrew the same motion with CTA and instead sought the latter to set the case for decision. On 31 August 2017, CTA granted the withdrawal of Motion and set a case for decision.

As at 31 December 2017, the Company has not received any decision from the CTA.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	6	6	8	7	8				
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COMPANY NAME

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

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

1	0	t	h		F	l	o	o	r	,		T	h	e		H	e	r	i	t	a	g	e		H	o	t	e	l
M	a	n	i	l	a	,		E	D	S	A		c	o	r	n	e	r											
R	o	x	a	s		B	o	u	l	e	v	a	r	d	,		P	a	s	a	y		C	i	t	y			

Form Type

A	A	F	S
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Department requiring the report

--

Secondary License Type, If Applicable

--

COMPANY INFORMATION

Company's email Address

--

Company's Telephone Number/s

854-8838

Mobile Number

--

No. of Stockholders

--

Annual Meeting (Month / Day)

--

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Mr. Yam Kit Sung

Email Address

--

Telephone Number/s

854-8838

Mobile Number

--

CONTACT PERSON'S ADDRESS

--

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.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended 31 December 2017
2. SEC Identification Number 166878 3. BIR Tax Identification No. 000-460-602-000
4. Exact name of issuer as specified in its charter GRAND PLAZA HOTEL CORPORATION ("Company")
5. City of Pasay, Philippines
Province, Country or other jurisdiction of incorporation or organization
6. (SEC Use Only)
Industry Classification Code:
7. 10/F, The Heritage Hotel Manila, Roxas Blvd. Cor. EDSA Ext., Pasay City 1300
Address of principal office Postal Code
8. Tel No. (632) 854-8838 ; Fax No. (632) 854-8825
Issuer's telephone number, including area code
9.
Former name, former address, and former fiscal year, if changed since last report.

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	87,318,270 (Inclusive of 33,600,901 treasury shares)

11. Are any or all of these securities listed on a Stock Exchange.

Yes [x] No []

If yes, state the name of such stock exchange and the classes of securities listed therein:

Stock Exchange	:	Philippine Stock Exchange
Securities	:	Common Shares

12. Check whether the issuer:

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

Yes ☒ No ☐

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

Yes ☒ No ☐

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

The share price of the Company as of 24 January 2018 is PhP11.26 and the total voting stock held by non-affiliates of the Company is 7,334,288. Therefore, the aggregate market value of the voting stock held by non-affiliates of the Company is PhP82,584,082.

**APPLICABLE ONLY TO ISSUERS INVOLVED IN
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS
DURING THE PRECEDING FIVE YEARS:**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission. **N.A.**

Yes ☐ No ☐

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

- (a) Any annual report to security holders;
- (b) Any proxy or information statement filed pursuant to SRC Rule 20 and 7.1(b);
- (c) Any prospectus filed pursuant to SRC Rule 8.1-1.

PART I – BUSINESS & GENERAL INFORMATION

ITEM 1. BUSINESS

General

The Company was registered with the Securities and Exchange Commission on 9 August 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 owns The Heritage Hotel Manila, a deluxe class hotel which offers 467 rooms and deluxe facilities such as restaurants, ballrooms, and a casino.

The hotel opened on 2 August 1994 and the Company has continued to own and operate the hotel since then.

For the fiscal year ended 31 December 2017, the Company reported a net loss after tax of about PhP75.28 million as against loss after tax of PhP13.22 million in 2016 and profit after tax of PhP5.77 million in 2015.

There is no bankruptcy, receivership or similar proceedings involving the Company. There are no material reclassifications, mergers, and consolidation involving the Company, nor purchases or sales of a significant amount of assets not in the ordinary course of business of the Company.

The Company's main source of income is revenue from the hotel operations. The market for the hotel services varied. The bulk of the room guests are corporate clients from various countries. The majority of the room guests are Americans, Japanese, Koreans, Filipinos and guests from Southeast Asian nations, while food and beverage guests are mainly Filipinos.

Competitive Position

The main competitors of The Heritage Hotel Manila are Sofitel Philippine Plaza Manila, Hotel Jen Manila, Pan Pacific Manila, Diamond Hotel Philippines, New World Manila Bay Manila and Microtel Inn & Suites (Mall of Asia).

Based on information made available to us, our Heritage Hotel occupancy was 52.6% versus competitor's occupancy of 70.1%. Our Average Room Rate was PhP2,740 while competitor rate was PhP4,800. The resultant Revpar of our Hotel was PhP1,441 versus competitor of PhP3,364.

Raw Materials and Services

The hotel purchases its raw material for food and beverage ("F&B") from both local and foreign suppliers. The top 3 suppliers for raw materials are Agathon Trading, Golden Horseshoe Trading Corporation and Charles Seafood Supply Branch.

Dependence on Single Customer

The Company's main source of income is revenue from the operations of the Heritage Hotel. The operations of the hotel are not dependent on a single or a few customers.

Related Party Transactions

The Company in the normal course of business has entered into transactions with its related parties, principally consisting of cash advances. These advances are shown as “Due to related company”, “Due to immediate holding company”, and “Due to intermediate holding company” in the balance sheets.

The Company also leases its hotel site from a related company. The lease contract on the hotel site requires the Company to deposit PhP78 million to answer for any and all unpaid obligations that the Company may have under said contract.

On 11 August 2014, the Company and the related company, Harbour Land Corp (HLC), agreed to amend the Lease Contract to increase the rent from PhP10,678,560 to PhP17,797,608 effective 1 January 2014 and to extend the lease contract from 2015 to 2040 for a period of another 25 years with no escalation of rent for the first 5 years but on the 6th year, HLC will propose a revision depending on the market condition.

The Company has entered into a Management Contract with Elite Hotel Management Services Pte. Ltd.’s Philippines Branch for the latter to act as the hotel’s administrator. Under the terms of the agreement, the Company is required to pay monthly basic management and incentive fees based on a certain percentage of revenue and gross operating profit.

Policy on Related Party Transactions

Section 5.2 of the Company’s Revised Manual on Corporate Governance requires all material information to be publicly and timely disclosed through the appropriate mechanisms of the PSE and submitted to the SEC. Such information includes, among others, related party transactions. All such information should be disclosed.

In compliance with the Amended Implementing Rules and Regulations of the Securities Regulation Code (“SRC Rules”), the Company must disclose the following details for a related party contract:

- a. the nature of the related party relationship;
- b. the type of transaction (e.g. supply or services contract, loans, guarantees);
- c. the total amounts payable and receivable in the transaction from or to the related party;
- d. the elements of the transaction necessary to understand the listed company's financial statements.

The Company must also disclose its transactions in which related persons, such as directors, officers, substantial shareholders or any of their immediate families have a direct material interest, such as the related person’s beneficial ownership of the counterparty or share in the profits, bonus, or commissions out of the transaction.

No disclosure is needed for any transaction where:

- a. The transaction involves services at rates or charges fixed by law or governmental authority;
- b. The transaction involves services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture, or similar services;
- c. The amount involved in the transaction or a series of similar transactions has an aggregate value of less than PhP2,500,000; or
- d. The interest of the person arises solely from the ownership of securities of the registrant and the person receives no extra or special benefit that was not shared equally (pro rata) by all holders of securities of the class.

In compliance with the provisions of the Corporation Code, a contract of the Company with one or more of its directors or officers must be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock if any of the following conditions are absent:

- a. The presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting.
- b. The vote of such director was not necessary for the approval of the contract.

Full disclosure of the adverse interest of the directors or officers involved must be made at the stockholders' meeting and the contract must be fair and reasonable under the circumstances.

Furthermore, the Company must comply with the provision of the Corporation Code which requires a contract between two or more corporations having interlocking directors, where (i) the interest of the interlocking director in one corporation is substantial and his interest in the other corporation is merely nominal, and (ii) any of the following conditions are absent:

- a. The presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting.
- b. The vote of such director was not necessary for the approval of the contract.

to be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the corporation where the interlocking director's interest is nominal. Similarly, full disclosure of the adverse interest of the interlocking director/s involved must be made at the stockholders' meeting and the contract must be fair and reasonable under the circumstances. Stockholdings exceeding twenty (20%) percent of the outstanding capital stock shall be considered substantial for purposes of interlocking directors.

Patents, Trademarks, Etc.

The Company registered the tradename "The Heritage Hotel Manila" with the Intellectual Property Office on 12 July 2000 under registration number 41995105127. Under current laws,

the registration is valid for a term of 20 years, or up to 12 July 2020. The registration is renewable for another 10 years.

The Company is also authorized to use “The Heritage Hotel Manila” as its business name under its Articles of Incorporation.

The Company does not hold any other patent, trademark, copyright, license, franchise, concession or royalty agreement.

Government Approval and Regulation

The hotel applies for Department of Tourism (“DOT”) accreditation annually. The accreditation is based on the 2012 Rules and Regulations to Govern the Accreditation of Accommodation Establishments of the DOT. The DOT inspects the hotel to determine whether the hotel meets the criteria of the DOT. The DOT certificate of accreditation will expire on 30 November 2018.

The Company is not aware of any new government regulation that may have a material impact on the operations of the Company during the fiscal year covered by this report.

Development Activities

The Company did not undertake any development activities during the last three fiscal years.

Number of Employees

The hotel employed a total of 325 employees for the year ended 31 December 2017. Out of the 325 employees, 179 are regular employees and 146 are casual employees.

The number of employees per type of employment is, as follows:

	REGULAR	CASUAL	TOTAL
Hotel Operating Staff (All operating dept)	118	104	222
Management/Admin/Security (A&G Dept)	28	31	59
Sales & Marketing	16		16
Repairs & Maintenance	17	11	28
Total	179	146	325

Barring any unforeseen circumstance, for the year 2018, the Company will maintain more or less the same number of employees as in year 2017.

There are no existing collective bargaining agreements between the Company and its employees.

ITEM 2. PROPERTIES

The Company leases its hotel site from Harbour Land Corporation, a related company. The hotel site is located at the corner of Roxas Blvd. and EDSA Extension, Pasay City.

The lease for the hotel site is for a period of 25 years renewable for another 25 years. The lease commenced on 1 January 1990. The Company has renewed its lease effective 1 January 2014 for another 25 years with monthly rental of PhP1,483,134.

The annual rental expenses for the hotel site and is PhP17,797,608 million.

The Company has no intention of acquiring additional property within the next 12 months.

ITEM 3. LEGAL PROCEEDINGS

(1) Grand Plaza Hotel 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 ("Deficiency Tax Case").

On 20 February 2015, the Company filed a Petition for Review with the 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 is void because the assessments did not comply with the requirements of law and lacked factual and legal basis.

The Deficiency Tax Case seeks to have the CTA review the Collection Letter that the Company received from the BIR on 12 December 2013. As far as the Company is aware, the Collection Letter was issued by the BIR in connection with a Formal Letter of Demand for alleged deficiency income tax, value added tax, expanded withholding tax, withholding tax on compensation and documentary stamp tax for the year 2008, in the aggregate amount of 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 24 July 2015, the Company received a Warrant of Dstraint 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 Company has taken appropriate legal measures to ensure that such Warrant is not implemented during the course of the trial proceedings.

During the CTA hearing on 21 September 2015, the Company presented 2 witnesses and they were able to furnish 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 18 March 2016, the Company received a Notice of Resolution from the CTA with regard to the Company's Motion for Partial Reconsideration with Amended Formal Offer

of Evidence. The CTA granted the Company's Motion and the Company has 30 days from receipt of the Notice to file our Memorandum.

However, on 6 April 2016, the Company received a Manifestation and Motion filed by the BIR. The BIR moved for a setting of a hearing for the comparison and marking of its documentary evidence on 13 April 2016. Within 5 days after the hearing, the BIR will be filing its Formal Offer of Documentary Evidence. In view of this Motion, the BIR has asked for the deferment of the parties' respective Memorandum until after the CTA has resolved its offer of evidence.

On 8 June 2016, management of the Company was informed by Metropolitan Bank & Trust Company ("Metrobank") via email, that the BIR has issued a Warrant of Garnishment with Warrant No. 125-2015-011 dated 2 June 2016 against the Corporation 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 PhP499,049.64, as may be necessary to satisfy the alleged tax deficiency of the Company.

In addition, on 10 June 2016, management of Company was also informed by the Lank Bank of the Philippines ("Land Bank"), that the BIR has issued a Warrant of Garnishment with Warrant No. 125-2015-011 against the Corporation 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 PhP71,718.54 as may be necessary to satisfy the alleged tax deficiency of the Company.

On 6 September 2016, the Company's tax counsel received a Resolution from the CTA and decided not to file a Legal Memorandum and instead opted to adopt the arguments raised in its earlier Answer. As such, the case is now submitted to CTA for decision.

On 7 March 2017, the Company filed an Urgent Motion to Allow Payment of Taxes with the CTA. This is with respect to the Warrant of Garnishment with Land Bank. The Company uses this bank account for tax payment. On 17 March 2017, CTA has ordered BIR to comment within 5 days from receipt of the Notice on this Urgent Motion.

On 15 August 2017, the CTA acted on the petition of the Company "Urgent Motion to Allow Payment of Taxes" and set 31 August 2017 as the hearing date while setting aside the case for decision.

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

As at 31 December 2017, the Company has not received any decision from the CTA.

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Other than the above tax case, 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.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the security holders during the fourth quarter of the fiscal year covered by this report.

In the 15 May 2017 annual stockholders' meeting, the following were elected as directors of the Company:

Tan Kian Seng;
 Eddie Lau;
 Bryan Cockrell;
 Eddie Yeo;
 Mia Gentugaya; (independent director)
 Rene Y. Soriano; (independent director) and
 Antonio Rufino

Please refer to the discussion in item 9 of this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The common shares of the Company are listed on the Philippine Stock Exchange.

The following are the high and low share prices of the Company for the year 2017 and 2016:

Amount in Peso:

	HIGH	LOW	HIGH	LOW
	Year 2017	Year 2017	Year 2016	Year 2016
First Quarter	18	15	32.25	17.56
Second Quarter	15	13.2	29	20.55
Third Quarter	16.1	13.1	24.05	20

Fourth Quarter	15.5	10.1	20.05	15.02
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The last recorded trade of the shares of the Company during the fiscal year covered by this report occurred on 29 December 2017. The share price was PhP12.

Holders of Securities

The Company has only one class of shares, i.e., common shares. The total outstanding common shares as of 31 December 2017 is 87,318,270 inclusive of 33,600,901 treasury shares.

As of 31 December 2017, the number of shareholders of the Company is 15,032.

The list of the top 20 shareholders is as follows:

	NAME OF SHAREHOLDER	NO. OF SHARES	% OF SHAREHOLDING (INCLUSIVE OF TREASURY SHARES)
01	Grand Plaza Hotel Corp – Treasury stocks	33,600,901	38.48%
02	The Philippine Fund Limited	28,655,932	32.82%
03	Zatrio Pte Ltd	17,727,149	20.30%
04	PCD Nominee Filipino	4,068,842	4.6%
05	PCD Nominee Non-Filipino	231,840	0.27%
06	Alexander Sy Wong	34,505	0.04%
07	Cabanatuan Electric Corporation	8,569	<0.01%
08	Phoon Lin Mui	7,000	<0.01%
09	Yam Kit Seng	7,000	<0.01%
10	Yam Poh Choo	7,000	<0.01%
11	Yam Kum Cheong	7,000	<0.01%
12	School of St. Anthony	6,557	<0.01%
13	Regelio Roleda Lim	5,361	<0.01%
14	Lucas M. Nunag	4,713	<0.01%
15	Mary Dee Chinjen	4,290	<0.01%
16	Palawan Pawn Shop Inc	4,002	<0.01%
17	Natividad Kwan	3,983	<0.01%
18	Julie's Franchise Corp	3,817	<0.01%
19	Nationawide Distributors Inc.	3,672	<0.01%
20	Fee Luna Naquines	3,529	<0.01%
	Total	84,395,662	96.65%

Dividends

No dividends were declared for FY2017 and FY2016.

Dividend Policy

The nature of the dividend, the dividend payment date and the amount of the dividend are determined and approved by the Company's Board of Directors.

Recent Sales of Unregistered Securities

The Company does not have any unregistered securities.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

(A) Full Fiscal Year

Top 5 Key Performance Indicators of the Company for the last 3 years:

	2017	2016	2015
Current ratio (Solvency ratio)	2.47	2.92	2.90
Debt/Equity	0.21	0.17	0.17
Assets/Equity	1.21	1.17	1.17
Profit/(Loss) before tax margin ratio	(20.4%)	(3.5%)	2.7%
Adjusted Profit/(Loss) before tax margin ratio (Exclude impairment loss)	(9.1%)	(3.5%)	2.7%
Earnings before interest, tax, depreciation & amortization (EBITDA) Peso	(44.64 million)	1.84 million	27.56 million
Adjusted EBITDA (Exclude impairment loss)	(9.84 million)	1.84 million	27.56 million

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

Current ratio is derived by dividing the current assets with the current liabilities. This indicator measures the liquidity of the Company in the short-term. The current ratio has fell by 0.45 (15%) compared to the same period of last year. This is mainly due to a drop in cash balance by PhP18 million (6.9%) and increase in liability specifically amount due to related companies and accounts payable.

Debt to equity ratio measures a company's financial leverage. It is derived by dividing total liabilities over equity. This ratio increased by 0.04 (23%) versus last year and this is a result of higher liabilities and lower equity arising from the loss of this year.

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 by 0.04 this year versus last year. Though total asset is lower than same period last year, the lower equity this year resulted in higher ratio.

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. The Company reported a loss this year. If we exclude impairment loss of PhP34 million, the loss ratio is 9.1% in 2017.

EBITDA is a measure of the company profitability without interest, depreciation and, taxes. This ratio has dropped significantly to (PhP44.64) million from prior year of PhP1.84 million due to significant higher loss arising from impairment loss of PhP34 million. If we exclude impairment loss, the adjusted EBITDA is (PhP9.84) million this year.

Management is not aware of:

- a. Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way. The Company is not having or anticipate having within the next 12 months any cash flow or liquidity problems; and the Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments. There is no significant amount of the Company's trade payables that have not been paid within the stated trade terms.
- b. Any events that will trigger direct or contingent financial obligations that is material to the Company, including any default or novation of an obligation.
- c. All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
- d. There are no material commitments for capital expenditures.
- e. 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 or revenues or income from continuing operations should be described.

Please see attached chart for the relationship between the Company and its ultimate parent company.

Results of Operations:

Revenue and Net Income/(loss) After Tax (“NIAT”) of the Company during the last 3 years are as follows:

YEAR	REVENUE – PHP’000	NIAT – PHP’000
2017	382,786	(75,281)
2016	368,548	(13,224)
2015	447,351	5,772

2017 Results of Operations

For the year 2017, the Company reported revenue of PhP382.7 million as compared to PHP368.5 million in 2016. The Company recorded a loss after tax of PhP75.2 million this year versus a loss of PhP13.2 million in 2016 and this significantly higher loss is due to recognition of impairment loss of PhP34.5 million in 2017.

Revenue:

Room revenue recorded an improvement from PhP230.2 million in 2016 to PhP236.5 million in current year or increase of PhP6.3 million (2.7%). The improvement is driven by higher room occupancy of 52.6% in 2017 compared to 48.7% in 2016. The hotel benefited from the increase in tourism as Philippines is the Chair of ASEAN meeting this year. Increase in travelling helped to boost the occupancy of the hotel. However, due to competition from newer hotels, Average Room Rate fell from PhP2,872 to PhP2,740 or PhP132 (4.5%).

Food and Beverage (F&B) revenue registered an improvement of PhP5.3 million (4.2%). The increased in room occupancy also bring about higher breakfast revenue for the F&B sector and in addition, banquet reported a growth of PhP10 million (25%) over the prior year.

Cost of sales:

Cost of sales for F&B registered no significant movement over 2016 even though revenue has increased by 4.2%. This is due to better cost of expenses. Cost of sales for other operated departments has decreased by PhP1.0 million (37%) which is consistent with the decrease in revenue.

Gross Profit:

Gross profit showed an increase by PhP15.2 million (4.7%) due to higher revenue.

Selling Expenses:

Selling expenses consist of property operation, maintenance, energy and conservation, salaries, transport charges and commission. As compared to the prior year, there is an increase in this balance by PhP14.3 million (8%). One of the main reason for the increment is due to higher energy cost which increased by PhP10 million (15%) compared to the same period of last year. Property operation and maintenance costs also increased by PhP3.5 million (19%) versus 2016 as a result of higher maintenance to the building due to age.

Administrative Expenses:

Administrative expenses mainly consist of management and incentive fees, salaries, credit card commission and dues and subscription. There is an increase of PhP51 million (2.8%) relative to last year. Included in this year is impairment loss amounting to PhP34.7 million while there was no impairment loss in 2016. In addition, salaries and wages are higher in 2017 compared to 2016 as there were reversal of over-accruals in 2016.

Other income/(expenses):

There is a drop in this item by PhP8.6 million (47%) relative to last year and this due to a drop in foreign exchange gain by PhP9 million.

Income Tax Expense:

Due to a loss before tax in 2017, the Company has a tax benefit of PhP3.1 million.

2016 Results of Operations

For the year 2016, the Company reported revenue of PhP368.5 million versus prior year of PhP447.3 million. This is a drop of PhP78.8 million (17.6%). Rooms division has the highest drop in revenue by PhP57.3 million (20%).

Due to the 17.6% fall in revenue, the Company reported a loss after tax of PhP13.2 million in year 2016.

Revenue:

Room occupancy fell from 59% (2015) to 48% (2016) while Average Room Rate (ARR) also fell from PhP2,935 (2015) to PhP2,872 (2016). The net effect is a drop in Revpar from PhP1,750 to PhP1,397 or PhP353 (20%). The Hotel is affected by the opening of new hotels which drive down the room rate. In addition, the closure of the casino in the middle of 2013 also has an impact on the occupancy of the Hotel.

Food and Beverage (F&B) revenue registered a fall from PhP137 million to PhP123 million or PhP14 million (10%). The Hotel only operates one restaurant, Riviera which depends heavily on breakfast for revenue. With the fall in room occupancy, breakfast revenue also dropped. Banquet revenue has also fell by PhP5 million (11%).

Other operated departments consist mainly of telephone department, laundry and carparking. There is a slight improvement by PhP0.16 million (3%) versus prior year.

Others revenue consist mainly rental income and other miscellaneous income. This revenue decreased by PhP7.5 million (43%) versus last year due to higher commission income in 2015.

Cost of sales:

Cost of sales for F&B registered a fall by PhP7.1 million (13.9%) as a result of lower F&B revenue. The decrease is consistent with the lower F&B revenue. Cost of sales for other operated departments have decreased by PhP0.82 million (22.8%) despite the slight increase in revenue.

Gross Profit:

Gross profit showed a drop by PhP71 million (18%) due to lower revenue.

Selling Expenses:

Selling expenses consist of property operation, maintenance, energy and conservation, salaries, transport charges and commission. As compared to the prior year, there is a decrease of PhP14 million (7%). Hotel is able to implement cost control exercise and payroll and related costs have decreased by PhP4.9 million (7.8%) versus 2015, property, operation, maintenance, energy and conservation have decreased by PhP4.6 million (5.7%) and guest supplies also dropped by PhP1.9 million (19.5%). All these controls helped to mitigate the fall in revenue.

Administrative Expenses:

Administrative expenses mainly consist of management and incentive fees, salaries, credit card commission and dues and subscription. There is a significant drop of PhP30.6 million (14.4%) compared to last year. This is due to fall in payroll cost by PhP4.5 million (8.4%), decrease in management and incentive fees by PhP6.2 million (30%) which is consistent with lower revenue and in addition, in 2015, there was a write-off of receivables of PhP12.6 million while there was no such expense in 2016.

Other income/(expenses):

There is a drop in this item by PhP6.2 million (25.5%) and this is mainly due to lower interest income by PhP3.6 million and in 2015, there was a forfeit of deposit for a potential tenant amounting to PhP3.9 million which was absent in 2016.

Income Tax Expense:

Due to a loss before tax in 2016, the Company has a tax benefit of PhP6.8 million.

2015 Results of Operations

For the year 2015, the Company reported revenue of PhP447.3 million versus PhP466.9 million in 2014. The drop in revenue by PhP19.4 million (4.1%) compared to prior year is mainly due to decrease in revenue in rooms, food and beverages (“F&B”) and other operating departments.

Profit after tax recorded an improvement from PhP0.393 million in 2014 to PhP5.7 million in 2015 even though revenue has decreased and this is due to profit improvement plans implemented by the Company.

Revenue:

Room occupancy fell from 62% (2014) to 59% (2015) while Average Room Rate (ARR) also fell from PhP3,035 (2014) to PhP2,935 (2015). The net effect is a drop in Revpar from PhP1,881 to PhP1,732 or PhP149 (7.9%). The opening of more new hotels in Metro Manila has an adverse impact on The Heritage Hotel Manila in terms of occupancy and ARR. In order to compete for its share of market, the Hotel has to reduce ARR to capture business. In addition, the closure of the casino in the middle of 2013 also has an impact on the occupancy of the Hotel.

Food and Beverage (F&B) revenue registered a fall from PhP141 million to PhP137 million or PhP4 million (10%). The negative variance is mainly due to the closure of PAGCOR operated casino in the hotel in July 2013 and the increasing new restaurants around the hotel affect the business. The hotel is able to increase its revenue for Banquet by PhP2.0 million (4.8%) against prior year to offset the lower revenue from Riviera and Lobby Lounge.

Other operated departments consist mainly of telephone department, laundry and carparking. There is a drop of PhP1.7 million (26%) from last year revenue and the bulk of decrease is from telephone department. The lesser usage of hotel telephone services due to mobile phone is affecting this department revenue.

Others revenue consist mainly rental income and other miscellaneous income. This revenue increased by PhP10.1 million (138%) versus last year due to the reversal of reserves from service charge setup for operating equipment which is no longer required amounting to about PhP9 million.

Cost of sales:

Cost of sales for F&B registered a fall by PhP2.4 million (4.6%) as a result of lower F&B revenue. The decrease is consistent with the lower F&B revenue. Cost of sales for other operated departments have increased by PhP0.68 million (23.6%) despite the fall in revenue is because during the year, the Hotel provides more corporate guest with free wifi in order to attract more corporate businesses. As such, there are more fixed charges of wifi to cost of sales of telephone department.

Gross Profit:

Gross profit showed a drop by PhP17.8 million (4.3%) due to lower revenue.

Selling Expenses:

Selling expenses consist of property operation, maintenance, energy and conservation, salaries, transport charges and commission. As compared to the prior year, there is a decrease of PhP19.1 million (9%). Hotel is able to implement energy saving measures which helped to save 17% energy cost versus 2014 and the Hotel also implemented various profit improvement plans to reduce unnecessary costs. Hence even with lower business, the hotel is able to maintain a lower overhead.

Administrative Expenses:

Administrative expenses mainly consist of management and incentive fees, salaries, credit card commission and dues and subscription. There is an increase of PhP4.7 million (2.2%) compared to last year.

Other income/(expenses):

There is an increase from PhP22.0 million to PhP24.3 million or 10.4%. The bulk of the increase is from increase in interest income by PhP3.6 million as a result of interest earned from the security deposit with Meralco and foreign exchange gain of PhP9.3 million versus last year of PhP0.18 million. The foreign exchange gain is due to translation gain from the United States and Singapore dollars fixed deposits. In 2015, there is also a recognition of a forfeiture of security deposit amounting to about PhP4 million from a potential tenant which did not materialize.

Income Tax Expense:

Income tax expense increased by PhP3.0 million due to higher profit before tax.

Financial Conditions:

The total assets and liabilities of the Company for the last 3 years are as follows:

YEAR	ASSETS - PHP'000	LIABILITIES – PHP'000
2017	1,063,846	186,224
2016	1,116,209	164,746
2015	1,127,445	163,961

2017 Financial Conditions

Total assets for the year decreased from PhP1.11 billion to PhP1.06 billion while total liabilities increased by PhP21.5 million to PhP186.2 million. The fall in total assets is mainly due to decrease in property and equipment as a result of depreciation and provision for impairment loss amounting to PhP34 million and lower cash balance.

Assets/Liabilities and Equity:

- Cash and cash equivalents: This balance consists of cash and fixed deposits placed with banks. Cash decreased by PhP18.4 million (7%) versus end of last fiscal year. The fall is mainly due to higher loss versus last year, higher accounts receivables at year end 2017 and higher capital expenditure in 2017 of PhP22.3 million.
- Accounts receivables net: This balance increased by PhP12.8 million (14%) versus end of last year. This is due to higher amount due from few key accounts who had not repaid at year end. It is expected that these balances will be settled by end of January 2018.
- Prepaid expenses/other current assets: This balance increased from PhP16.2 million to PhP20.2 million or PhP3.6 million (21%) compared to 2016. This is mainly due to higher Input VAT by PhP2.5 million and higher prepaid expense.
- Property and equipment – net: This balance relates to property and equipment net of depreciation. For 2017, there is a drop in this balance by PhP55.8 million (9.8%) as a result of depreciation for the year (PhP43.3 million) and also an impairment loss of PhP34 million. These 2 items are offset by addition to property and equipment by about PhP22 million.
- Other non-current assets: This balance mainly consists of lease deposit, miscellaneous investments and others. For year 2017, there is an increment of PhP5.5 million (6.2%) due to a construction-in-progress of PhP5.4 million.
- Accounts payable and accrued expenses: This balance increased from PhP66.1 million to PhP77.4 million or PhP11.3 million (17%). This is mainly due to higher trade payable and higher accrued for salary.

- Due to related parties: This balance reported an increase of PhP9.3 million (34%) as the Company has not settled outstanding balances with related parties due to slower business.
- Other current liabilities: This balance showed an increase of PhP3.2 million (21%) due to higher VAT payable and increase in payables to government agencies.

2016 Financial Conditions

Total assets for the year decreased from PhP1.127 billion to PhP1.116 billion while total liabilities increased by PhP0.785 million to PhP164.7 million. The fall in total assets is mainly due to decrease in property and equipment as a result of depreciation, fall in receivables by PhP17 million and offset by higher cash balance.

Assets/Liabilities and Equity:

- Cash and cash equivalents: This balance consists of cash and fixed deposits placed with banks. Cash increased marginally by PhP21.7 million (9%) versus end of last fiscal year. Even though revenue has fallen, the higher cash generation is due to strict control of expenses, fall in receivables and decrease in accounts payable.
- Receivables net: This balance fell by PhP16.5 million (15.5%) due to lesser receivables outstanding from charge customers which is consistent with the lower Hotel revenue.
- Due from related parties: As related companies has not settled its dues to Company, this balance increased to PhP0.179 million. This will be settled in 1Q2017.
- Prepaid expenses and other current assets: This balance increased by PhP2.6 million (18.5%) due to higher prepaid income tax of PhP4.8 million versus PhP2.1 million in 2015.
- Property and equipment –net: Due to depreciation charges of PhP40 million during the year, this balance dropped by PhP26 million offset by addition and disposal of fixed assets.
- Investment in an associate: There is a drop in this balance by PhP2 million (3.8%) versus last year due to a cash dividend received of PhP4 million during the year from the associate.
- Deferred tax assets net: There is an increase in this balance by PhP9 million (101%) as this year the Company recorded a loss so it has to recognized NOLCO and MCIT in deferred tax.
- Accounts payable and accrued expenses: There is a significant drop in this balance by PhP16.9 (20.3%). The main reasons for this drop is due to lesser trade payable which is consistent with lower revenue and decrease in accrued payroll by PhP10.6 million (44.3%) as a result of reversing the over accrual.
- Due to related parties: As Company has not settled its outstanding liabilities as at end of year, this balance increased by PhP22 million (328%). This will be settled in 1Q2017.

- Other current liabilities: This balance fell by PhP3 million (17%) mainly due to lesser output VAT payable.
- Refundable deposits – There is a drop in this balance by PhP2.3 million versus last year due to lesser revenue this year from banquet.

2015 Financial Conditions

Total assets for the year decreased from PhP1.354 billion to PhP1.127 billion while total liabilities decreased by PhP0.365 million to PhP0.163 million. The main reason for the decrease in assets and liabilities is due to reversal of accounts receivable and payables for VAT in respect of Pagcor. As the Company has won the tax case in Supreme Court whereby Supreme Court has ruled with finality, the Company reversed both accounts.

Assets:

- Cash and cash equivalents: This balance consists of cash and fixed deposits placed with banks. Cash increased marginally by PhP2.1 million versus end of last fiscal year. The lower cash generation is due to lower revenue.
- Receivables net: This balance fell from PhP304 million to PhP106 million which is as explained earlier due to reversal of accounts receivable VAT for Pagcor given the Company has won the case at Supreme Court.
- Inventories: Inventories fell by PhP1.6 million (11.8%) which is consistent with the lower F&B and total revenue.
- Prepaid expenses and other current assets: This balance consists of prepaid expenses such as insurance premium. This balance increased by PhP1.84 million (15%) mainly due to prepaid income tax amounting to PhP2.15 million.
- Property and equipment-net: This balance dropped by PhP33.3 million (5.3%) as a result of depreciation charges for the year net of addition to fixed assets.
- Deferred tax assets – net: There is a decrease in this balance by PhP3.4 million (27.7%) due to higher balance for impairment of receivables and unrealized foreign exchange gain of PhP2.7 million this year.
- Accounts payable and accrued expenses: The increase in this balance by PhP5.1 million (6.6%) is due to higher accrued salaries and other liabilities offset by lower accounts payable due to lower revenue.
- Refundable deposits – This pertains to deposits from tenants and the reduction in balance by PhP23.9 million (48%) is due to return of security deposit to a potential tenant that did not materialized during the year.

- Other current liabilities: There is a significant fall in this balance from PhP230.7 million to PhP17.8 million and the reason is due to the reversal of accounts payable VAT Pagcor.

Risks

The Company has exposure to various risks, including liquidity risk, credit risk and market risk. For discussions of these risks, see *Note 25 – Financial Risks and Capital Management* to the accompanying audited financial statements in Item 7.

ITEM 7. FINANCIAL STATEMENTS

Please see attachments.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There are no changes and/or disagreements with Accountants on any matter relating to accounting principles or practices, financial disclosures, auditing scope and procedure during the last two fiscal years.

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS AND SIGNIFICANT EMPLOYEES OF THE REGISTRANT

NAME	OFFICE	CITIZENSHIP	FAMILY RELATION (*)	AGE
Tan Kian Seng	Chairman & President	Malaysian	No relation	64
Bryan Cockrell	Vice Chairman/Director	American	No relation	70
Eddie Lau	Director	British	No relation	62
Rene Y. Soriano	Independent Director	Filipino	No relation	72
Mia Gentugaya	Independent Director	Filipino	No relation	66
Antonio Rufino	Director	Filipino	No relation	71
Eddie Yeo Ban Heng	Director / Vice-President / Assistant Compliance Officer /	Malaysian	No relation	70

	General Manager of The Heritage Hotel Manila			
Yam Kit Sung	General Manager of the Company / Chief Finance Officer / Compliance Officer / Chief Audit Executive	Singaporean	No relation	47
Ederlinda F. Decano	Director of Finance / Member The Heritage Hotel Manila Management Executive Committee/ Data Privacy Officer	Filipino	No relation	45
Geraldine Nono Gaw	Director of Marketing / Member The Heritage Hotel Manila Management Executive Committee	Filipino	No relation	50
Juancho Baltzar	Director of Human Resources/ Member The Heritage Hotel Manila Management Executive Committee	Filipino	No relation	57
Alain Charles J. Veloso	Corporate Secretary	Filipino	No relation	37
Lesley Anne L. Claudio	Assistant Corporate Secretary	Filipino	No relation	31
Arlene De Guzman	Treasurer	Filipino	No relation	57

(*) Up to the fourth civil degree either by consanguinity or affinity.

Under Article IV, Section 2 of the By-Laws of the Company, the directors shall hold office for one year and until their successors are duly elected and have qualified.

None of the directors and executive officers are related within the 4th civil degree of consanguinity or affinity of each other.

None of the following events occurred during the past five years that are material to an evaluation of the ability or integrity of any director, person nominated to become a director, executive officer, promoter or control person of the registrant:

- a) Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two year prior to that time;
- b) Conviction by final judgment in a criminal proceeding;
- c) Being subject to any order, judgment or decree limiting such person's involvement in any type of business, securities, commodities or banking activities; and

- d) Being found by domestic or foreign court of competent jurisdiction in a civil action to have violated any securities or commodities law.

Business Experience

TAN KIAN SENG

CHAIRMAN & PRESIDENT

Mr Tan served as Chairman and President of the Board of Grand Plaza Hotel Corporation since his appointment on 15 February 2017. Mr Tan is the Interim Group Chief Executive Officer of Millennium & Copthorne Hotels plc (“M&C”), having been appointed on 1 March 2017. He is a non-executive director of Millennium & Copthorne Hotels New Zealand Limited and CDL Investments New Zealand Limited, both of which are listed on the New Zealand Stock Exchange, having been appointed on 28 February 2017. He was appointed as a non-executive director of First Sponsor Group Limited, a company listed on the Singapore Stock Exchange on 6 February 2017.

Prior to joining M&C Group as Chief of Staff and interim President of Asia in October 2016, he served as advisor to the CEO and Chairman of Venture Corporation Limited (“Venture”), a company listed on the Singapore Stock Exchange. Mr Tan joined Venture in 2001 and held increasingly senior roles in various jurisdictions, including Vice President of Operations in Malaysia until February 2006, Chief Financial Officer until February 2012 and Group President from 2011 until February 2016.

He is an associate of the Institute of Chartered Accountants in England and Wales.

BRYAN K. COCKRELL

DIRECTOR

Mr. Bryan Cockrell, an American national, has been a Director of the Company since May 1997. Mr. Cockrell is the Chairman of the Pathfinder Group in the Philippines which has interests in tourism-related ventures, properties and other joint ventures undertakings and of the Group’s investments in Vietnam. Before his stint in the Philippines, he held numerous positions in Singapore, Indonesia and Saudi Arabia.

RENE SORIANO

INDEPENDENT DIRECTOR

Mr. Soriano is a Past President and currently Honorary President of the Employers Confederation of the Philippines (ECOP). He is also a Past President of the ASEAN Confederation of Employers (ACE) and the People Management Association of the Philippines (PMAP). He was a member of the Board of Trustees, representing the employers, of the Overseas Workers Welfare Administration (OWWA). At present, he sits as Employer’s

Representative in the National Tripartite Industrial Peace Council (NTIPC), the Tripartite Labor Code Review Committee (TLRC) and the Tripartite Security Industry Group (TSIG).

Mr. Soriano was a Senior Partner, a member of the Executive Committee and Head of the Human Resources Practice Group of Sycip Salazar Hernandez and Gatmaitan, as of his retirement in 2010. He graduated from the University of the Philippines College of Law in 1971 and was admitted to the Philippine Bar in 1972. He is a Director of Roche Philippines, Inc. and other private companies.

MIA G. GENTUGAYA
INDEPENDENT DIRECTOR

Mia Gentugaya is of counsel in SyCip Salazar Hernandez & Gatmaitan and was the head of its Banking, Finance & Securities Group. She is a member of the faculty of the Lyceum of the Philippines University – College of Law and Enderun Colleges. She is also a Bangko Sentral-accredited lecturer on corporate governance for banks/quasi banks. She has been a Director of the Company since August 1992 and has served as independent director since 2005. She was admitted to the Philippine Bar in 1978 after completing her legal education at the University of the Philippines (LL.B.). Atty. Gentugaya practices corporate and commercial law and has been named by Chambers & Partners, International Financial Law Review 1000, and The Legal 500 as one of the world's leading lawyers in banking and finance, and commercial law. She is a member of the Philippine Bar Association, and a charter member of the Maritime Law Association of the Philippines (Trustee, 1988 – 1989). She also serves in the Board of Directors of various companies.

ANTONIO RUFINO
DIRECTOR

Mr. Rufino is the Consul General of Portugal. He is currently the Director and President of Rufson Enterprises, Inc., Mercedes Realty & Dev. Corporation, and R.A. Rufino Holdings, Inc. He is also a director of other private corporations. He completed his college and graduate studies in the University of San Francisco, California. Mr. Rufino is a shareholder of the Corporation.

EDDIE B.H. YEO
DIRECTOR, VICE-PRESIDENT, ASSISTANT COMPLIANCE OFFICER & GENERAL MANAGER OF THE HERITAGE HOTEL MANILA

Mr. Eddie Yeo was appointed as a Director and General Manager of The Heritage Hotel Manila on 13 January 2005. Prior to his current position, he was the General Manager of Copthorne Kings Hotel Singapore from January 1999 to 2004. He has more than 42 years experience in managing and developing hotel projects in Singapore, Malaysia, Thailand, Australia, USA and Vietnam. He holds a Master of Business Administration from the University of South Australia, is a Certified Hotel Administrator (CHA) from the Educational Institute of the American Hotel & Motel Association, Michigan, USA and a Member of the Chartered Management Institute, UK. He is the Vice President of the Singapore Philippines Association and the Malaysian Associations of the Philippines, a Director of the Hotel & Restaurant Association of the

Philippines since 2007. He is the Vice President of The Skat Club International of Manila. He is a Captain in the Philippine Coast Guard Auxiliary, Squadron 116, and is the Deputy Chief for MAREP, in the Philippine Coast Guard Auxiliary, National Auxiliary main office.

EDDIE C.T. LAU

DIRECTOR

Mr. Eddie Lau, a British national and was appointed Director of the Company since 17 January 2005. He obtained his MBA from the University of Durham, UK. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Certified Accountants in UK. Mr. Lau is also an associate member of the Chartered Institute of Bankers in UK. He has more than 25 years experience in the financial industry and has extensive practical exposures in financial control, business planning and operational management. He had worked with Hang Seng Bank, Standard Chartered Bank, Bank Austria and The Long-Term Credit Bank of Japan. For the past twelve years, he was the Financial Controller of those banks that he worked with. Mr. Lau had also served in the Hong Kong Monetary Authority as a Bank Examiner to monitor the banks' compliance in Hong Kong. Currently, Mr. Lau is the Senior Vice President – Head of Group Finance and Company Secretary of Asia Financial Holdings Limited, a listed company in Hong Kong. He joined Asia Financial Holdings Limited since July 2000.

YAM KIT SUNG

GENERAL MANAGER, CHIEF FINANCE OFFICER, COMPLIANCE OFFICER & CHIEF AUDIT EXECUTIVE

Mr. Yam Kit Sung obtained his Bachelor of Accountancy (Honors) degree from Nanyang Technological University in Singapore. Upon graduation, he joined the international accounting firm, Price Waterhouse based in Singapore as an auditor and later joined CDL Hotels International Limited (now known as Millennium & Copthorne Hotels International Limited) as an Internal Auditor. In 1996, he joined The Heritage Hotel Manila as an Operations Analyst and was appointed General Manager of the Company in April 2000. In June 2006, Mr. Yam was appointed General Manager –Asset Management (China) for HL Global Enterprises Limited, a company listed on the Singapore Stock Exchange. He also sits on the Board of several companies in the HL Global Enterprises Limited Group.

ARLENE DE GUZMAN

TREASURER

Ms. Arlene de Guzman has been the Company's Treasurer since August 1997. She is also a former director and president of the Company. She graduated with a B.S. Business Economics (cum laude) degree from the University of the Philippines in 1981. Her business experience includes: Senior Project Evaluation Officer, National Development Company, Head, Financial Risk Management, Philippine Associated Smelting and Refining Corporation (PASAR) and currently Senior Vice President of the Pathfinder Group. She is presently a director and/or officer of the various companies under the Pathfinder Group and Grand Plaza Hotel Corporation.

ALAIN CHARLES J. VELOSO
CORPORATE SECRETARY

Mr. Alain Charles Veloso is a partner of the law firm Quisumbing Torres. Mr. Veloso's practices corporate and commercial law, with focus on antitrust, pharmaceuticals, securities, mergers and acquisitions, energy and natural resources, and infrastructure. He joined Quisumbing Torres in 2006 after graduating class valedictorian and *cum laude* from the University of the Philippines College of Law in 2006. He was also a recipient of the Dean's Medal for Academic Excellence, a member of the Order of the Purple Feather, a Chief Justice Fred Ruiz Castro Academic Scholar, an ACCRA – Violeta C. Drilon Merit Scholar, and a Member of the Pi Gamma Mu Honors Society and the Phi Kappa Phi Honors Society. Mr. Veloso was admitted to the Philippine Bar in 2007 and ranked 10th in the 2006 Philippine Bar exams. Prior to obtaining his law degree, Mr. Veloso obtained his B.S. Accountancy from the University of the Philippines – Tacloban College in 2001, graduating *cum laude*. Mr. Veloso passed the Philippine licensure exam for Certified Public Accountants in 2001. He also taught Transportation and Public Utilities Law and Land Titles and Registration at Centro Escolar University School of Law and Jurisprudence. Mr. Veloso also lectures at the Mandatory Continuing Legal Education program of the UP Law Center on antitrust and corporate governance. He is cited as a Next Generation Lawyer for Corporate and M&A by Legal 500 2018.

Mr. Veloso is also the assistant corporate secretary of various private companies. He is not an officer or director of other public companies or companies that are grantees of secondary licenses from the SEC.

LESLEY ANNE L. CLAUDIO
ASSISTANT CORPORATE SECRETARY

Ms. Lesley Anne L. Claudio is an associate of the law firm Quisumbing Torres. Ms. Claudio was appointed as the Assistant Corporate Secretary of the company on 5 February 2018. Ms. Claudio has four years of experience in the areas of mergers and acquisitions, capital markets, corporate reorganization and restructuring, commercial agreements and contracts, and general corporate and commercial work. She has participated in the conduct of legal due diligence on several target companies, including listed companies, and has drafted and assisted in the negotiations of transaction documents relating to mergers and acquisitions, commercial lending and project finance. Ms. Claudio's practice spans several industries, including banking, gaming, manufacturing, real estate, and energy mining and infrastructure. Ms. Claudio likewise previously handled disclosure and regulatory requirements of a company listed on the PSE, and acted as Corporate Secretary and Assistant Corporate Secretary for several companies, and performed various corporate secretarial work such as preparation of minutes of meetings, secretary's certificates, period reports submitted to the PSE and the SEC, preparation and issuance of stock certificates, and other general corporate housekeeping work. Ms. Claudio is not an officer or director of other public companies or companies that are grantees of secondary licenses from the SEC.

GERALDINE NONO GAW

DIRECTOR OF MARKETING, MEMBER – HERITAGE HOTEL MANILA MANAGEMENT EXECUTIVE COMMITTEE

Ms. Geraldine N. Gaw joined the company in 2003 as the Director of Catering and was promoted as Director of Sales and Marketing in 2008. Prior to joining the Heritage Hotel Geraldine held the position of Convention and Banquet Sales Manager from 1999 to 2003 at the Manila Midtown Hotel. She has also held several senior positions in various hotels in Metro Manila and Davao City, namely the Mandarin Oriental Hotel and the Davao Insular Intercontinental Inn. She is currently a member of the Hotel Sales and Marketing Association. Geraldine graduated at the Ateneo De Davao University with a Degree in Business Administration major in Accounting.

EDERLINDA F. DECANO

DIRECTOR OF FINANCE , MEMBER – HERITAGE HOTEL MANILA MANAGEMENT EXECUTIVE COMMITTEE, DATA PRIVACY OFFICER

Ms. Ederlinda Decano graduated from University of Santo Tomas in 1994, with a degree in BS Accountancy and passed the CPA board exam in the same year. She began her career as an auditor in Diaz Murillo Dalupan, an affiliate of Deloitte Touche Tohmatsu in the early '90s. However, moved out of the auditing firm and worked in different industries as accountant.

She started a job in the hospitality industry in the year 2002, with the Ascott group, which line of business is Serviced Residence. She had worked with Ascott for 10 years, and worked her way up in the company - from accountant to Asst. Finance Manager. After 10 years with Ascott, she joined Manila Mandarin as Chief Accountant, and before the hotel closed, signed up with Frasers Place Manila (another Serviced Residence) as Finance Manager. All in all, she has been working in the hospitality industry for 13 years.

Ms. Decano was appointed as the Data Privacy Officer of the corporation on 26 July 2017.

JUANCHO BALTAZAR

DIRECTOR OF HUMAN RESOURCES , MEMBER – HERITAGE HOTEL MANILA MANAGEMENT EXECUTIVE COMMITTEE

An extensive background in the hospitality profession, Atty. Juancho Baltazar has exposure in almost all areas of hotel management and thus embedded in him the important aspect of the business which is "Customer Service". His love for teaching has given him the ability to be an influence in the molding of the character of the people working in the organization. Through the years, he has acquired skills in the area of recruitment and selection, training and development, employee relations, coaching and counseling, motivation, public speaking, and strategy planning, among others. Rising from the ranks, Choy knows how people in the organization behave. As a lawyer, he has a good knowledge of Labor Law and Labor Relations. He has extensive experience in collective bargaining negotiations and dealing with the unions. He is a professional whose years of specialization in operation and human resource management and development have trained him to spot the right person for the right job and to consistently maintain and improve the quality of the workforce especially in the areas of work efficiency,

training, and in the development of customer-oriented professionals. He is a graduate of the Philippine Christian University in 1983 with a degree in Business Administration and a Bachelor of Laws degree from the Lyceum of the Philippines University in 1988. He also has a diploma in Hotel Management from the Singapore Hotel and Tourism Education Centre (SHATEC) in 1996.

Attendance Record

Meeting Attendance of the Company's Board of Directors in 2017:

Date of Board of Directors' meetings	Name of Directors							Rene Soriano (first elected as Independent Director on 15 May 2017)
	Tan Kian Seng (first elected on 15 February 2017)	Bryan Cockrell	Angelito Imperio	Mia Gentugaya	Antonio Rufino (first elected on 15 May 2015)	Eddie Lau	Eddie Yeo	
15 February 2017	Present ¹	Absent	Present	Present	Present	Present	Present	-
3 May 2017	Present	Present	Present	Present	Present	Absent	Present	-
15 May 2017 (10:30 a.m.)	Present	Present	Present	Present	Present	Present	Present	-
15 May 2017 (1:00 p.m.)	Present	Present	Present	Present	Present	Present	Present	-
26 July 2017	Present	Present	-	Present	Present	Present	Present	Present
25 October 2017	Present	Present	-	Present	Present	Present	Present	Present

Total	6	5	4	6	6	5	6	2
Percentage of Attendance	100%	83.33%	66.66%	100%	100%	83.33%	100%	33.33%

Meeting Attendance of the Company's Audit Committee in 2017:

Date of the Audit Committee meetings	Name of Directors		
	Bryan Cockrell	Mia Gentugaya	Antonio Rufino (first elected on 15 May 2015)
12 February 2017	Absent	Present	Present
3 May 2017	Present	Present	Present
26 July 2017	Present	Present	Present
25 October 2017	Present	Present	Present

Total	3	4	4
Percentage of Attendance	75%	100%	100%

¹ Tan Kian Seng was present in the meeting but not as a director. He was elected as director in this meeting, 15 February 2017.

Meeting Attendance of the Company's Nomination Committee in 2017:

Date of the Nomination's Committee meetings	Name of Directors				
	Tan Kian Seng (first elected on 15 February 2017)	Eddie Lau	Bryan Cockrell	Antonio Rufino (first elected on 15 May 2015)	Angelito Imperio
15 February 2017	-	Present	Absent	Present	Present
20 March 2017	Present	Absent	Present	Present	Present

Total	1	1	1	2	2
Percentage of Attendance	50%	50%	50%	100%	100%

ITEM 10. EXECUTIVE COMPENSATION

EXECUTIVE AND DIRECTORS COMPENSATION

NAME	POSITION	YEAR	SALARY	BONUS	OTHERS/ DIRECTOR ALLOWAN CES
Eddie Yeo Ban Heng	General Manager of Hotel	2017			
Yam Kit Sung	General Manager of the Company	2017			
Ederlinda F. Decano	Director of Finance	2017			
Gigi Gaw	Director of Sales & Marketing	2017			
Juancho Baltazar	Director of Human Resources	2017			
Total		2017	20,752,049	1,964,885	
Directors allowances		2017			1,005,209
All officers & Directors as a group		2017	20,752,049	1,964,885	1,005,209

The estimated total compensation for officers and directors in year 2018 is as follows:

Salary – PhP20 million
 Bonus – PhP2 million
 Other Fees – PhP1 million

FOR THE LAST 2 FINANCIAL YEARS – 2016 and 2015

NAME	POSITION	YEAR	SALARY	BONUS	OTHERS/ DIRECTOR FEES
Eddie Yeo Ban Heng	General Manager of Hotel	2016			
Yam Kit Sung	General Manager of the Company	2016			
Ederlinda F. Decano	Director of Finance	2016			
Gigi Gaw	Director of Sales & Marketing	2016			
Divina Gracia D. Delos Reyes	Director of Human Resources	2016			
Total		2016	19,638,500	970,902	34,500
Directors allowances		2016			1,036,870
All officers & Directors as a group		2016	19,638,500	970,902	1,071,370

NAME	POSITION	YEAR	SALARY	BONUS	OTHERS/ DIRECTOR FEES
Eddie Yeo Ban Heng	General Manager of Hotel	2015			
Yam Kit Sung	General Manager of the Company	2015			
Ederlinda F. Decano	Director of Finance	2015			
Gigi Gaw	Director of Sales & Marketing	2015			
Divina Gracia D. Delos Reyes	Director of Human Resources	2015			
Total		2015	15,887,308	1,812,642	1,272,572
Directors		2015			1,175,264
All officers & Directors as a group		2015	15,887,308	1,812,642	2,447,836

In 2015, the directors were given the following per diem allowance for their attendance in meetings in 2015: for the regular directors, PhP15,000 per meeting of the Audit Committee and the Board, and for independent directors, PhP15,000 per meeting of the Audit Committee and PhP15,720 per meeting of the Board. The allowance and compensation of the directors (i.e., in 2014) do not involve any other form of remuneration. There are no arrangements, such as consulting contracts, pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, during the Company's last completed fiscal year, and the ensuing year, for any service provided as director.

There are no agreements that require, if any such executive officers resign or are terminated by the Company, or if there is a change in control of the Company, the executive officers of the Company to be compensated a total amount exceeding PhP2,500,000.

ITEM 11. SECURITY AND OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Management

The following table shows the shareholding beneficially held by the officers of the Company as at 31 December 2017.

TITLE OF CLASS	NAME OF BENEFICIAL OWNER / (CITIZENSHIP)	AMOUNT & NATURE OF BENEFICIAL OWNERSHIP	PERCENT OF CLASS
Common shares	Yam Kit Sung (Singaporean)	2,998 shares beneficial	Less than 1%
Common shares	Eddie Yeo (Malaysian)	1 share beneficial	Less than 1%

The following entities are directly or indirectly the beneficial owners of more than 5% of the Company's voting shares (common) as of 31 December 2017

S/N	NAME OF SHAREHOLDER	CITIZENSHIP	NO. OF SHARES	% OF SHAREHOLDING (EXCLUSIVE OF TREASURY SHARES)
1	The Philippine Fund Limited	Bermuda	28,655,932 ²	53.34%
2	Zatrio Pte. Ltd.	Singapore	17,727,149	33.08%
3	RCBC Trust & Investment	Filipino	5,367,491	9.99%

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Please see Note 15 of the audited financial statements for details.

ITEM 13. CORPORATE GOVERNANCE

Please refer to the attached Annual Corporate Governance Report of the Company for the year 2017.

ITEM 14. EXHIBITS AND REPORTS ON SEC FORM 17-C

Exhibits

None

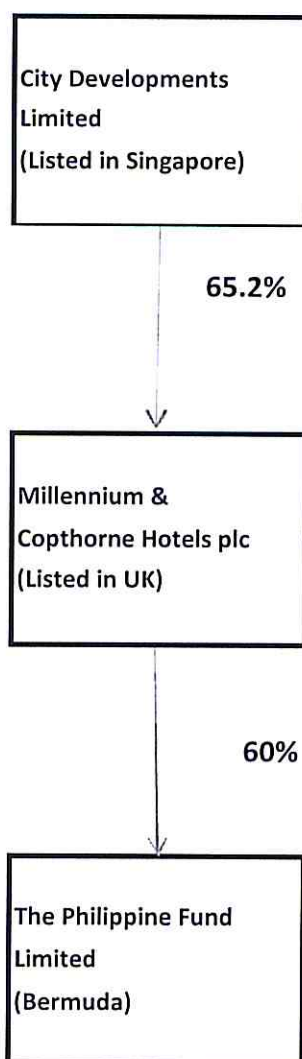
Reports on SEC Form 17-C

The following events were reported in SEC Form 17-C during the period January 2017 to December 2017:

Date of Filing of SEC Form 17-C	Summary of the matter disclosed
16 February 2017	Notice of Annual Stockholders' Meeting
16 February 2017	Retirement of Mr. Aloysius Lee as Chairman, appointment of Mr. Tan Kian Seng as Chairman; and amendment of the charter of the Audit Committee
5 April 2017	Amendment of Notice of Annual Stockholders' Meeting
4 May 2017	Renewal of the Management Agreement between the Corporation and Elite Hotel Management Services Pte Ltd
15 May 2017	Results of Annual Stockholders' Meeting
15 May 2017	Results of Organizational Meeting of the Board of Directors
16 May 2017	Ratification of the Hotel Management Agreement
26 October 2017	Resignation of Atty. Maria Christina Macasaet-Acaban as Corporate Secretary; appointment of Mr. Alain Charles J. Veloso as Corporate Secretary; appointment of Ms. Rosalynne L. Sanchez as Assistant Corporate Secretary

The Group Structure

The Philippine Fund Limited Group Structure



As at 31 December 2017

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of PASAY CITY on 1 FEB 2018, 2018.

By:


Eddie Yeo Ban Heng
Vice President

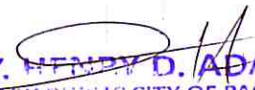

Yam Kit Sung
General Manager/
Chief Financial Officer


Alain Charles J. Veloso
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 1 FEB 2018 day of _____ 2018
affiant(s) exhibiting to me their Community Tax Certificates/Passports, as follows:

Names	CTC/Passport No.	Date of Issue	Place of Issue
-------	------------------	---------------	----------------

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Page No. 34
Book No. 15
Series of 2018.


ATTY. HENRY D. ADASA
NOTARY PUBLIC CITY OF PASAY
UNTIL DECEMBER 31, 2018
~~NOTARIAL COMMISSION 17-23~~
Notary Public
KNOWLEDGE,
GROUND FLOOR BESIDE PASAY CITY HALL
IBP NO. 022811 / 01/03/2018 PASIG
PTR NO. 582887 / 01/03/2018 P.C.
MCLE COMPLIANCE NO. VI-0002830 - 4/14/2022
ROLL OF ATTORNEYS NO. 29679
⑩ TIN: 172 322 020-000

GRAND PLAZA HOTEL CORPORATION

5 February 2018

Statement of Management's Responsibility For Financial Statements

SECURITIES AND EXCHANGE COMMISSION

CCP Complex

Pasay City

The management of **Grand Plaza Hotel Corporation** (the "**Company**"), is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, as at and for the years ended **December 31, 2017 and 2016**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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


Eddie Yeo Ban Heng
Vice President


Yam Kit Sung
General Manager & Chief Financial Officer

Subscribed and sworn to before me a notary public for and in the City of **PASAY CITY** this _____ day of **FEB 2018** 2018, the signatories exhibiting to me their Community Tax Certificates/Passports details of which are as follows:

Name	Community Tax Certificate/ Passport Number	Date	Place of Issue
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Eddie Yeo Ban Heng

Yam Kit Sung

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Book No. II
Series of 2018

ATTY. HENRY D. DASA
NOTARY PUBLIC CITY OF PASAY
UNTIL DECEMBER 31, 2018
NOTARIAL COMMISSION 17-23
KNIGHT OF BSALE 301,
GROUNDFLOOR, PASAY CITY HALL
IBF NO. 022811 / 11-11-2018 PASIG
PTR NO. 5228567 / 11-11-2018 P.C.
MCLE COMPLIANCE NO. 11-11-2018 - 4/14/2022
ROLL OF ATTORNEY 11-11-2018 19678
© TIN: 172-321-1111