



110302018000463

**SECURITIES AND EXCHANGE COMMISSION**

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Company Information

SEC Registration No. 0000166878

Company Name GRAND PLAZA HOTEL CORPORATION DOING BUSINESS UNDER THE NAME OF THE HERITAGE HOTEL MANILA

Industry Classification

Company Type Stock Corporation

Document Information

Document ID 110302018000463

Document Type 17-Q (FORM 11-Q: QUARTERLY REPORT/FS)

Document Code 17-Q

Period Covered September 30, 2018

No. of Days Late 0

Department CFD

Remarks

COVER SHEET

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S.E.C. Registration Number

[illegible]

(Company's Full Name)

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	B	L	V	D		C	O	R		E	D	S	A		P	A	S	A	Y		C	I	T	Y				

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

Y A M K I T S U N G

Contact Person

8 5 4 8 8 3 8

Company Telephone Number

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3	1
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Month Day

Fiscal Year

S	E	C	17	Q
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FORM TYPE

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1	5
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Month Day

Annual Meeting

Secondary License Type, If Applicable

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Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

	Total / linear

Domestic

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

1

LCU

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Document I.D.

Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1 For the quarterly period ended Sept 30, 2018

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

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

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

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

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

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

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

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

Title of each Class	Number of shares of common Stock outstanding and amount Of debt outstanding
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<u>COMMON SHARES</u>	<u>87,318,270*</u>
<u>*includes 33,600,901 treasury shares</u>	

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

Yes [☒] No [☐]

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

PHILIPPINE STOCK EXCHANGE, INC. COMMON

12. Indicate by check mark whether the registrant:

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

Yes [X] No []

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

Yes [X] No []

PART I – FINANCIAL INFORMATION

Item 1 Financial Statements

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

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

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

PART II – OTHER INFORMATION

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

SIGNATURES

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

Issuer: **YAM KIT SUNG**

Signature and Title: **General Manager & Chief Financial Officer**

Date _____

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements Required Under SRC Rule 68.1

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

Notes to Financial Statements

Summary of significant accounting policies

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

The same accounting policies and methods of computation are followed in the interim financial statements for the year 2018 as compared with the most recent annual financial statements.

Seasonality or Cyclicity of Interim Operations

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

Material Items

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

Estimates

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

Issuances of Debts and Equity

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

Dividends

There were no dividends declared in the current interim period.

Segment Revenue and Results

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

The Company organized its business into 3 main segments:

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

The segment revenues and results are as follows:

	YTD 3 rd Quarter Revenue – Peso '000	YTD 3 rd Quarter Department Profit – Peso '000
Room	195,773	149,151
Food and Beverage	93,069	35,829
Other Operated Departments and rental	9,706	6,723

Subsequent Events

None

Composition of Company

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

Contingent assets or liabilities

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

Contingencies

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

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

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

	30 Sept 2018	30 Sept 2017
Current liquidity ratios	2.30	2.29
Solvency (Debt to equity)	0.20	0.18
Assets to equity ratios	1.20	1.18
Profitability ratios Profit/(loss)before tax margin ratio	0.71%	(15.41%)
EBITDA (Earnings/(loss) before interest, tax, depreciation and amortization) - Peso	5.5 million	(19.9million)

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

Current liquidity ratio is derived by dividing the current assets with the current liabilities. This indicator measures the liquidity of the Company in the short-term. The current ratio has marginally increased by 0.01 during the period of review compared to the same period of last year due to higher current assets specifically cash and other current assets. However, there is also an increase in current liabilities by PhP12.9 million (7.6%) mainly due to higher accrued liabilities.

Debt to equity ratio measures a company financial leverage. It is derived by dividing total liabilities over equity. There is an increase in this ratio by 0.02 which is a result of higher liabilities and lower equity. The lower equity is due to higher loss for the year 2017.

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. This ratio increased by 0.02 due to lower equity as the loss in year 2017 reduced the equity and total assets has decreased mainly for property equipment which is due to depreciation charges.

Profit before tax margin ratio is computed by dividing the profit before tax against the total revenue. This ratio measures whether the Company is able to contain its expenses in relation to the revenue. This ratio showed a marginal profit in this period of review as compared to a loss in prior period.

EBITDA represents earnings before interest, tax, depreciation and amortization. This indicator measures the operating cash flow of a company. For the period under review,

the Company showed a positive EBITDA of Php5.5 million compared to a negative EBITDA in prior year.

Balance Sheets Analysis:

Total assets decreased by about Php30.7 million (2.8%) as compared to the same period of last year and decreased by Php9.8 million (0.9%) as compared to end of last fiscal year. As compared to the same period of last year, the decrease is mainly due lower property and equipment which is a result of depreciation charges for the period and also there was an impairment loss in year 2017 amounting to Php34 million. This drop is offset by higher cash and other current assets.

Cash and short term notes:

This balance includes short-term fixed deposits with banks. As compared to the same period of last year, cash has increased by Php25.1 million (10.2%) and increased by Php27.5 million (11.3%) versus end of last fiscal year. The higher cash balance is due to higher revenue and lesser capital expenditure during the 9 months of year 2018. In addition, the weakening of the Philippines Peso against US dollars also helped as the US dollars deposit when translated to Peso will showed a higher Peso balance. Philippines Peso has depreciated by 8.5% for the period 31 December 2017 to 30 September 2018.

Accrued interest receivable:

This balance mainly pertains to accrued interest receivable from the Company fixed deposits at the banks. As compared to the same period of last year and end of last fiscal year, this balance increased significantly by Php0.716 million (456%) and Php0.711 million (436%) respectively. The main reason for the increase in interest receivable is due to higher interest rates for this year by approximately 1% point versus last year. In addition, the depreciating Philippines Peso against the USD also helped to bring in higher accrued interest receivable when the Company translates the USD deposit to Peso.

Accounts receivable – trade:

This balance decreased by Php45.2 million (50.3%) as compared to end of last fiscal year and is mainly due to the transfer of outstanding of Pagcor receivables to Other Current Assets account.

Deferred tax assets:

This is the recognition of the deferred tax on the exchange gain/(loss), provision for bad debts, net operating loss carried over (NOLCO) and provision for retirement benefits. Compared to same quarter last year, there is an increase of Php5.2 million (29.5%) which is due to NOLCO from December 2017.

Advances to associated/related companies:

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

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

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

As compared to the same period of last year, there is a drop by PhP4.9 million (52.1%) which is due to settlement of outstanding balances by related parties.

Prepaid expenses:

This is mainly for prepaid insurance or subscription and there is a drop in this balance by PhP4.3 million (56.5%) versus same period last year due to amortization of the expenses.

Other current assets:

Compared to the same period of last year, there is a significant increase of PhP37.9 million (174.6%) while an increase of PhP25.6 million (75.2%) relative to end of last fiscal year and this is mainly the transfer of Pagcor receivables from Accounts Receivables – Trade to this account.

Property and Equipment:

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

There is a drop in this balance by PhP20.7 million (4.0%) compared to end of last fiscal year and the decrease is due to depreciation charges for the year amounting to PhP26.7 million offset by new additions. As compared to the same period of last year, there is a significant drop by PhP64.2 million (11.6%) and the main factor is the impairment loss of PhP34 million recorded in December 2017.

Investment in stock of associated company:

Compared to the end of last fiscal year, there is an increase in this balance by PhP1.3 million (2.5%) due to the share in 2018 income of associate.

Accounts payable:

There is a decrease in this balance by PhP5 million (10.8%) as compared to the end of last fiscal year while there is no significant variance when compared against the same period of last year. The higher account payable at year end 2017 was due to Company has not settled its obligation to suppliers.

Accrued liabilities:

Compared to the same period of last year, there is an increase of PhP7.9 million (11.4%). This variance is due to higher accrual for casual labor, salary increment and sales accrual.

Relative to end of last fiscal year, the increase is PhP5.6 million (7.8%) and this is due to increase in accrual for provident fund and salary increment.

Rental payable:

There is a reduction in this balance by PhP4.7 million (100%) as compared to the same period of last year and end of last fiscal year as the Company has settled its rental liability during this quarter.

Due to associated/related company:

Compared to the end of last year, this balance decreased by PhP7.5 million (23.7%) as the Company has partially settled its outstanding obligation with related companies.

Income tax payable:

Income tax payable showed a negative balance of PhP8.7 million as compared to (PhP20.3 million) in last year. This is due to a lower operating loss this year versus last year.

Reserves:

Reserves increased by PhP0.5 million (104.1%) against end of last fiscal year due to additional reserves for this year.

Reserves/ Net Acturial Loss:

As compared to the same period of last year, there is an increase in this balance by PhP1.4 million (16.2%) due to recognition at end of last fiscal year the actuarial loss.

Income Statement Analysis For the 9 Months Ended 30 September 2018

Revenue:

Total revenue increased by PhP33.6 million (12.6%) versus same period last year. The main reason for the improvement is due to significantly higher room revenue and food and beverage revenue ((F&B).

Rooms division recorded an increase in occupancy from 49% in last year to 58% in this year. However, Average Room Rate dropped from PhP2,764 to PhP2,719 or 1.6% compared to the same period of last year. The net effect is room revenue increased by about PhP28.9 million (17.3%). The strategy of lowering the room rate to secure a higher occupancy has shown positive results this year. The improvement in the Wholesale and Online Travel Agents (OTA) markets by PhP9.3 million and PhP18.1 million respectively compared to the same period of last year helped to push up the room revenue.

F&B business registered an improvement from last year by PhP5 million (5.6%). The growth is shown in Riviera, Room Service and Lobby Lounge. Banquet registered a drop of PhP2.1 million (6%) versus last year. Riviera showed the highest growth of PhP3.7 million (8.4%) mainly from higher dinner covers.

Cost of Sales:

F&B cost of sales recorded a drop from PhP32.4 million to PhP29.2 million or PhP3.2 million (9.8%) due to better control of purchasing and food cost. Overall food cost was 38% this year compared to 43% in 2017.

Gross Profit:

Gross profit is derived after deducting cost of sales from gross revenue. Gross profit as compared to last year is higher due to higher revenue and lower cost of sales. The gross profit margin for this year is 89.5% versus 87.3% in prior year.

Operating Expenses:

Operating expenses include among others, payroll and related expenses, utilities, depreciation charges, rental and other fixed expenses. There is an increase in operating expenses by PhP5.2 million (1.8%) even though revenue has increased by 12.8%. The main reason for the decrease in operating expenses is due to lower electricity cost. Electricity cost has dropped from PhP41.3 million to PhP33 million or 20%.

Net Operating Income:

This is derived after deducting operating expenses from gross operating profit. Due to higher revenue and lower expenses, net operating income has improved from a loss of PhP52.0 million to a loss of PhP21.2 million.

Non-operating income:

This indicator showed an increase of PhP12.2 million over same period last year and this is due to an exchange gain of PhP17.1 million versus last period of an exchange gain of PhP5.2 million. The gain is due to translation differences from the holding of United States dollars deposit.

Profit after tax:

As a result of higher revenue and exchange gain this year, the company registered a small profit after tax of PhP2.2 million compared to a loss of PhP27.8 million in the prior year.

Income Statement Analysis For Third Quarter Ended 30 September 2018

Revenue:

Total revenue increased by PhP25.9 million (33.2%) versus same period last year. The main reason for the improvement is due to higher revenue in room division and F&B.

Room division recorded an increase in revenue from PhP46.5 million to PhP66.9 million due to higher occupancy. Occupancy for August and September was much stronger than the prior year and this helped to push up the revenue for 3rd quarter.

F&B division revenue also improved from PhP28 million to PhP33.7 million. The higher room occupancy also pushed up the F&B revenue.

Cost of Sales:

Cost of sales for F&B registered about the same as last year even though F&B revenue has increased.

Gross Profit:

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

Operating Expenses:

Operating expenses include among others, payroll and related expenses, utilities, depreciation charges, rental and other fixed expenses. There is an increase in operating expenses by PhP7.3 million (8.2%) which is in line with the higher revenue.

Net Operating Income:

This is derived after deducting operating expenses from gross operating profit. This quarter showed a lower loss of PhP3.6 million compared to a loss of PhP21.6 million in prior year.

Non-operating income:

This indicator increased by PhP2.7 million (75%) due to an exchange gain of Ph34.4 million this year versus last year PhP1.6 million.

Profit after tax:

The Company registered a profit after tax of PhP2 million this quarter versus a loss of PhP12.3 million in 2017.

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

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

Management is not aware of any event that may trigger direct or contingent financial obligations that is material to the Company, including any default or acceleration of an obligation. Management is not aware of any material off-balance sheet transaction, arrangement, obligation (including contingent obligations), and other relationships of the

Company with unconsolidated entities or other persons that were created during the first 9 months of 2018.

PART II – OTHER INFORMATION

Tax matter:

(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 Land 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.

On 4 July 2018, the CTA rendered the Decision.

In the Decision, the CTA held that the court did not have jurisdiction to entertain the Petition, because CTA only had jurisdiction to review decisions of the CIR involving cases of disputed assessments, and not tax collection cases which have become final and executory. The CTA held that for failure to file a protest within the reglementary period, the assessment in question became final, executory, and demandable. In light of the foregoing, the CTA held that it had no jurisdiction to entertain the Petition.

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

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.

Financial Risk Exposure:

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

1. The qualitative and quantitative impact of any changes in the financial risk exposures of GPHC, particularly on currency, interest, credit, market and liquidity risks, that would materially affect its financial condition and results of operation, and a description of any enhancement in the Company's risk management policies to address the same.
2. A description of the financial instruments of the Company and the classification and measurements applied for each. If material in amount, provide detailed explanation or complex securities particularly on derivatives and their impact on the financial condition of the Company.

3. The amount and description of the Company's investments in foreign securities.
4. The significant judgments made in classifying a particular financial instrument in the fair value hierarchy.
5. An explanation of how risk is incorporated and considered in the valuation of assets or liabilities.
6. A comparison of the fair values as of date of the recent interim financial report and as date of the preceding interim period, and the amount of gain or loss recognized for each of the said periods.
7. The criteria used to determine whether the market for a financial instrument is active or inactive, as defined under Philippine Accounting Standard 39 – Financial Instruments.

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

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

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

Credit Risk

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

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

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

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

Liquidity Risk

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

Market Risk

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

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

Room Rates

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

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

Interest Rate Risk

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

Foreign Currency Risk

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

The Company functional currency is Philippines peso. As at 30 September 2018, it holds bulk of its cash and cash equivalent in Philippines peso and United States dollars. The United States dollars are used to settle foreign obligations.

The Company does not have any third party loans so it has no interest rate risk. The Company in the ordinary course of business extends credit to its customers. Exposure to credit risk is monitored on an ongoing basis, credit review being performed for clients requesting for credit limit. The total exposure to trade receivables as at 30 September 2018 is Peso38.5 million.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility. As at 30 September 2018, the Company has Peso418 million current assets and Peso181 million current liabilities so the current assets are able to cover its current liabilities.

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

The Company also does not invest in foreign securities.

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

	30 Sept 2018	30 Sept 2018	31 December 2017	31 December 2017
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash	269,941,724	269,941,724	242,452,359	242,452,359

equivalents				
Receivables net	45,327,763	45,327,763	88,428,282	88,428,282
Due from/(to) related party net	(15,151,678)	(15,151,678)	(23,576,997)	(23,576,997)
Loan receivable	15,500,000	15,500,000	15,500,000	15,500,000
Lease deposit	78,000,000	78,000,000	78,000,000	78,000,000
Accounts payable & accrued expenses	117,924,312	117,924,312	117,321,982	117,321,982

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

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

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

GRAND PLAZA HOTEL CORPORATION

Balance Sheets

September 30, 2018 and 2017

(With comparative figures for the year ended December 31, 2017)

(In Philippine Pesos)

ASSETS	Unaudited September 30, 2018	Unaudited September 30, 2017	Audited Dec. 31, 2017
<i>Current Assets</i>			
Cash and short-term notes	269,941,724	244,827,880	242,452,360
Accrued interest receivable	873,816	156,942	162,741
Accounts receivable - trade	44,503,209	58,979,155	89,779,911
Accounts receivable - others	1,957,629	15,476,799	1,877,651
Provision for bad debts	(2,006,890)	(1,696,970)	(3,392,021)
Deferred tax assets/(liabilities)	22,829,487	17,624,169	22,678,086
Input tax		-	-
Advances to associated/related companies	4,522,700	9,494,475	4,415,214
Advances to immediate holding company	4,463,694	3,526,160	3,695,056
Inventories	8,527,184	9,005,394	8,226,911
Prepaid expenses	3,370,476	7,612,697	4,885,489
Creditable withholding tax		-	-
Other current assets	59,664,209	21,796,993	34,081,782
Advances to/from THHM		-	-
<i>Total Current Assets</i>	<u>418,647,238</u>	<u>386,803,695</u>	<u>408,863,180</u>
<i>Property and Equipment</i>	488,136,267	552,383,051	508,863,000
<i>Investment in Stock of Associated Company</i>	51,595,261	49,765,623	50,285,509
<i>Deposit on Lease Contract</i>	78,000,000	78,000,000	78,000,000
<i>Loans Receivable</i>	15,500,000	15,500,000	15,500,000
<i>Other Assets</i>			
Miscellaneous investments and deposits	8,582,719	8,781,609	8,781,609
Others	1,010,000	1,010,000	1,010,000
<i>Total Other Assets</i>	<u>9,592,719</u>	<u>9,791,609</u>	<u>9,791,609</u>
<i>Total Assets</i>	<u>1,061,471,484</u>	<u>1,092,243,977</u>	<u>1,071,303,298</u>

GRAND PLAZA HOTEL CORPORATION

Balance Sheets

September 30, 2018 and 2017

(With comparative figures for the year ended December 31, 2017)

(In Philippine Pesos)

LIABILITIES AND STOCKHOLDERS' EQUITY	Unaudited September 30, 2018	Unaudited September 30, 2017	Dec. 31, 2017
Current Liabilities			
Accounts payable	41,074,909	41,541,523	46,075,150
Accrued liabilities	76,849,404	68,923,379	71,246,833
Rental payable	-	4,760,860	4,760,860
Due to associated/related companies	24,138,071	24,697,798	31,687,267
Advances from immediate holding company - net		187,004	-
Refundable deposit	29,265,321	28,913,378	27,478,961
Deferred rental		-	-
Dividend payable		-	-
Income tax payable	(8,725,302)	(20,348,654)	(5,467,414)
Other current liabilities	17,919,704	17,074,699	17,205,486
Reserves	1,038,787	2,901,145	507,577
Total Current Liabilities	181,560,894	168,651,132	193,681,724
Long - Term Liabilities			
Total Long - Term Liabilities	-	-	-
Capital Stock			
Authorized - 115,000,000 shares in March 31, 2009 and December 31, 2008 at P10.00 par value per share			
Capital stock	873,182,699	873,182,699	873,182,699
Premium on capital stock	11,965,904	11,965,904	11,965,904
Paid-in capital in excess of par - Warrants	2,691,614	2,691,614	2,691,614
Treasury stock	(1,680,020,370)	(1,680,020,370)	(1,680,020,370)
Retained earnings/(deficit) - beginning	1,659,732,664	1,735,013,915	1,735,013,915
Retained profit/(loss) for the period	2,289,016	(27,870,786)	(75,281,251)
Dividend declared		-	-
Working Capital Contribution		-	-
Reserves / net Actuarial Loss	10,069,063	8,629,869	10,069,063
Total Stockholders' Equity	879,910,590	923,592,845	877,621,574
Total Liabilities and Stockholders' Equity	1,061,471,484	1,092,243,977	1,071,303,298

GRAND PLAZA HOTEL CORPORATION

Income Statements

For the years ended September 30, 2018 and 2017

(With comparative figures for the year ended December 31, 2017)

(In Philippine Pesos)

	Unaudited Year-to-date September 30, 2018	Unaudited Year-to-date September 30, 2017	Audited Full Year Dec. 31, 2017
Revenue			
Rooms	195,773,921	166,838,476	236,509,584
Food & Beverage	93,069,096	88,074,077	128,794,060
Other Operated Depts.	3,402,573	3,473,105	4,624,115
Rental Income/Others	6,304,425	6,589,710	12,858,405
Total Revenue	298,550,015	264,975,368	382,786,164
Cost of Sales			
Food & Beverage	29,227,862	32,471,951	43,972,928
Other Operated Depts.	1,895,107	1,073,825	1,723,701
Total Cost of Sales	31,122,969	33,545,776	45,696,629
Gross Profit	267,427,046	231,429,592	337,089,535
Operating Expenses	288,685,813	283,460,093	425,039,918
Net Operating Income	(21,258,767)	(52,030,501)	(87,950,383)
Non-operating Income/(Loss)			
Interest Income	5,500,314	4,441,247	5,887,471
Dividend Income	-	-	-
Gain/(Loss) on Disposal of Fixed Assets	(746,743)	-	(34,500)
Exchange Gain/(Loss)	17,106,852	5,275,852	1,711,001
Share in Net Income/(Loss) of Associated Co.	1,309,752	1,468,097	1,987,983
Other Income	226,208	-	-
Total Non-Operating Income	23,396,383	11,185,196	9,551,956
Net Income/(Loss) Before Tax	2,137,616	(40,845,305)	(78,398,427)
Provision for Income Tax	(151,401)	(12,974,520)	(3,117,176)
Net Income/(Loss) After Tax	2,289,016	(27,870,786)	(75,281,251)
Earnings per share	0.04	(0.52)	(1.40)
Diluted earnings per share	0.04	(0.52)	(1.40)

Notes:

In September 30, 2018 and September 30, 2017 and 31 December 2017, total shares outstanding is 53,717,369 net of 33,600,

GRAND PLAZA HOTEL CORPORATION
Income Statements
For the 3rd quarters ended September 30, 2018 and 2017
(In Philippine Pesos)

	Unaudited 3rd Quarter September 30, 2018	Unaudited 3rd Quarter September 30, 2017
Revenue		
Rooms	66,975,622.47	46,579,197.15
Food & Beverage	33,784,474.92	28,021,895.03
Other Operated Depts.	1,330,405.87	977,470.75
Rental Income/Others	1,856,651.75	2,498,596.03
Total Revenue	103,947,155.01	78,077,158.96
Cost of Sales		
Food & Beverage	11,296,913.61	11,278,537.65
Other Operated Depts.	630,288.42	144,026.16
Total Cost of Sales	11,927,202.03	11,422,563.81
Gross Profit	92,019,952.98	66,654,595.15
Operating Expenses	95,636,002.73	88,326,974.22
Net Operating Income	(3,616,049.75)	(21,672,379.07)
Non-operating Income/(Loss)		
Interest Income	2,231,908.50	1,442,872.98
Dividend Income	-	-
Gain/(Loss) on Disposal of Fixed Assets	-	-
Exchange Gain/(Loss)	3,427,578.56	1,688,099.46
Share in Net Income/(Loss) of Associated Co.	475,224.92	512,716.09
Other Income	226,208.32	-
Total Non-Operating Income	6,360,920.30	3,643,688.53
Net Income/(Loss) Before Tax	2,744,870.55	(18,028,690.54)
Provision for Income Tax	667,314.48	(5,644,658.89)
Net Income/(Loss) After Tax	2,077,556.07	(12,384,031.65)
Earnings per share	0.04	(0.23)
Diluted earnings per share	0.04	(0.23)

GRAND PLAZA HOTEL CORPORATION
 Statements of Changes in Equity
 For the years ended September 30, 2018 and 2017
 (With comparative figures for the year ended December 31, 2017)
 (In Philippine Pesos)

	Unaudited September 30, 2018	Unaudited September 30, 2017	Audited Dec. 31, 2017
Balance - beginning	877,621,574	951,463,631	951,463,631
Prior period adjustment			
Balance - as adjusted	877,621,574	951,463,631	951,463,631
Net income for the period	2,289,016	(27,870,786)	(75,281,251)
Dividends	-	-	-
Retirement of shares	-	-	-
Reserves/Net Actuarial Loss			1,439,194
Buyback of shares	-	-	-
Balance - end	<u>879,910,590</u>	<u>923,592,845</u>	<u>877,621,574</u>

GRAND PLAZA HOTEL CORPORATION

Cash Flow Statements

For the years ended September 30, 2018 and 2017

(With comparative figures for the year ended December 31, 2017)

(In Philippine Pesos)

	Unaudited Year-to-date September 30, 2018	Unaudited Year-to-date September 30, 2017	Audited Full Year Dec. 31, 2017
Cash flows from operating activities			
Net income	2,289,016	(27,870,786)	(75,281,251)
Adjustments to reconcile net income to net cash provided by operating activities			
Prior period adjustments	-	-	-
Depreciation and amortization	26,761,946	32,040,079	43,323,364
Equity in net income of associated company	(1,309,752)	(1,468,097)	(1,987,983)
Provision for bad debts	2,006,890	1,696,970	3,392,021
Changes in operating assets and liabilities			
(Increase) decrease in			
Accrued interest receivable	(711,075)	(144,006)	(149,805)
Accounts receivable - trade	41,884,681	(9,661,013)	(40,461,769)
Accounts receivable - others	(79,977)	3,227,606	16,826,754
Deferred income tax	(151,401)	286,275	(4,767,643)
Input tax	-	-	-
Advances to associated company	(107,485)	891,148	5,970,410
Advances to immediate holding company	(768,638)	(568,307)	(737,203)
Inventories	(300,273)	3,456,472	4,234,956
Prepaid expenses	1,515,013	(3,325,678)	(598,470)
Creditable withholding tax	-	45,092	45,092
Other current assets	(25,582,427)	6,952,850	(5,331,939)
Advances to/from THHM	-	-	-
Increase (decrease) in			
Accounts payable	(5,000,241)	9,419,150	13,952,776
Accrued liabilities	5,602,571	(2,246,318)	77,136
Notes payable	-	-	-
Rental payable	(4,760,860)	4,760,860	4,760,860
Due to associated company	(7,549,196)	(4,035,775)	2,953,695
Advances from immediate holding company - net	-	187,004	-
Refundable deposit	1,786,359	139,843	(1,294,574)
Income tax payable	(3,257,888)	(15,540,557)	(659,317)
Other current liabilities	714,218	737,424	868,211
Reserves	531,211	2,366,878	(26,690)
	<u>33,325,688</u>	<u>1,347,115</u>	<u>(34,704,365)</u>
Cash flows from investing activities			
Acquisition of property and equipment - net	(6,035,213)	(19,790,200)	12,446,567
Dividend (declared)/received	-	2,400,000	2,400,000
(Receipts)/Refund of deposit on lease contract	-	-	-
(Receipts)/Payments relating to other assets	198,890	-	-
Retirement of treasury stocks	-	0	-
Buyback of shares - net	-	-	-
Reserves / Net Actuarial Loss	-	-	1,439,194
	<u>(5,836,323)</u>	<u>(17,390,200)</u>	<u>16,285,761</u>
Cash flows from financing activities			
Increase/(Decrease) in reserves	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Net increase in cash and short-term notes	<u>27,489,364</u>	<u>(16,043,084)</u>	<u>(18,418,604)</u>
Cash and short-term notes, Beginning	<u>242,452,360</u>	<u>260,870,964</u>	<u>260,870,964</u>
Cash and short-term notes, Ending	<u><u>269,941,724</u></u>	<u><u>244,827,880</u></u>	<u><u>242,452,360</u></u>

GRAND PLAZA HOTEL CORPORATION
Cash Flow Statements
For the 3rd quarters ended September 30, 2018 and 2017
(In Philippine Pesos)

	Unaudited 3rd Quarter September 30, 2018	Unaudited 3rd Quarter September 30, 2017
Cash flows from operating activities		
Net income	2,077,556	(12,384,032)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	8,771,666	10,970,338
Equity in net income of associated company	(475,225)	(512,716)
Provision for bad debts	2,006,890	1,696,970
Changes in operating assets and liabilities		
(Increase) decrease in		
Accrued interest receivable	(440,677)	8,431
Accounts receivable - trade	(1,692,533)	(840,211)
Accounts receivable - others	(306,999)	1,914,469
Deferred income tax	667,314	341,533
Input tax	-	-
Advances to associated company	748,271	(954,019)
Advances to immediate holding company	(237,300)	(56,000)
Inventories	(432,897)	1,797,499
Prepaid expenses	1,054,659	(2,929,758)
Creditable withholding tax	-	-
Other current assets	1,526,900	(4,316,571)
Advances to/from THHM	-	-
Increase (decrease) in		
Accounts payable	3,132,177	1,245,139
Accrued liabilities	3,749,831	(4,985,111)
Notes payable	-	-
Rental payable	(4,760,860)	4,760,860
Due to associated company	(8,284,724)	3,422,635
Advances from immediate holding company - ne	-	(400)
Advances from intermediate holding company	-	-
Refundable deposit	384,960	326,669
Deferred rental - Pagcor	-	-
Dividend payable	-	-
Output tax	-	-
Income tax payable	(1,343,398)	(6,819,650)
Other current liabilities	879,304	(128,810)
Reserves	77,142	553,937
	<u>7,102,057</u>	<u>(6,888,799)</u>
Cash flows from investing activities		
Acquisition of property and equipment - net	(2,126,671)	(1,644,733)
Dividend (declared)/received	-	2,400,000
(Receipts)/Refund of deposit on lease contract	-	-
(Receipts)/Payments relating to other assets	198,890	-
Retirement of treasury stocks	-	0
Buyback of shares	-	-
	<u>(1,927,781)</u>	<u>755,267</u>
Cash flows from financing activities		
Increase/(Decrease) in reserves	-	-
	<u>-</u>	<u>-</u>
Net increase in cash and short-term notes	<u>5,174,277</u>	<u>(6,133,532)</u>
Cash and short-term notes, Beginning	<u>264,767,447</u>	<u>250,961,411</u>
Cash and short-term notes, Ending	<u><u>269,941,724</u></u>	<u><u>244,827,880</u></u>

Grand Plaza Hotel Corporation
Aging Report As At 30 September 2018

Customer Type	0 to 8 days	9 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Over 120 days	Total	%
Airlines	411,273	4,453,364	4,461,018	362,980	23,320	556,405	10,268,360	26.61%
Credit card	2,546,074	238,173	364,837				3,149,084	8.16%
Company - local	549,998	1,177,371	328,084	2,750		20,400	2,078,603	5.39%
Overpayment							-	0.00%
Permanent accounts	428,638	50,503	11,794	11,628	6,346	1,741,737	2,250,645	5.83%
Embassy & government							-	0.00%
Travel Agent - Local	136,200	217,500	13,749		3,395		370,844	0.96%
Temporary credit	500	882,840	2,155,463	291,800	3,732,600	1,034,455	8,097,658	20.98%
Travel Agent - Foreign	570,200	1,618,852	2,359,158	1,439,856	761,900	5,626,580	12,376,545	32.07%
TOTAL	4,642,883	8,638,603	9,694,102	2,109,014	4,527,561	8,979,577	38,591,739	100.00%
%	12.03%	22.38%	25.12%	5.46%	11.73%	23.27%	100.00%	