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Miscellaneous	
* Asterisks denote mandatory information	
Name of Announcer *	CITY DEVELOPMENTS LIMITED
Company Registration No.	196300316Z
Announcement submitted on behalf of	CITY DEVELOPMENTS LIMITED
Announcement is submitted with respect to *	CITY DEVELOPMENTS LIMITED
Announcement is submitted by *	Enid Ling Peek Fong
Designation *	Company Secretary
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>> Announcement Details

The details of the announcement start here ...

Announcement Title * Announcement by Subsidiary Company, Grand Plaza Hotel Corporation on Results for Third Quarter Ended 30 September 2009

Description Please see attached the above announcement issued by Grand Plaza Hotel Corporation on 4 November 2009.

Attachments

 [GPHC_SEC17Q_3rdQ2009.pdf](#)
 Total size = **1164K**
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111042009000115



SECURITIES AND EXCHANGE COMMISSION

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Company Type Stock Corporation

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

- 1 For the quarterly period ended September 30, 2009
2. Commission identification number _____ 3. BIR Tax Identification No.
000-460-602-000

GRAND PLAZA HOTEL CORPORATION

4. Exact name of issuer as specified in its charter

PHILIPPINES

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

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

10F, The Heritage Hotel Manila, Roxas Blvd. cor. EDSA, Pasay City 1300

7. Address of issuer's principal office

Tel. No. (632) 854-8838 Fax No. (632) 854-8825

8. Issuer's telephone number, including area code

N.A.

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

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

Title of each Class

Number of shares of common
Stock outstanding and amount
Of debt outstanding

COMMON SHARES

87,318,270*

*includes 22,337,637 treasury shares

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

Yes [X] No []

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

PHILIPPINE STOCK EXCHANGE, INC.

COMMON

12. Indicate by check mark whether the registrant:

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

Yes [X] No []

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

Yes [X] No []

PART I – FINANCIAL INFORMATION

Item 1 Financial Statements

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

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

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

PART II – OTHER INFORMATION

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

SIGNATURES

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

Issuer YAM KIT SUNG

Signature and Title

General Manager & Chief Financial Officer

Date

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements Required Under SRC Rule 68.1

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

Notes to Financial Statements

Summary of significant accounting policies

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

The same accounting policies and methods of computation are followed in the interim financial statements for the year 2008 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 4 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 – Business derived from telephone department, business center, carparking and laundry.
- Others- Business derived from rental of space.

The segment revenues and results are as follows:

	YTD 3 rd Quarter Revenue – Peso	YTD 3 rd Quarter Department Profit - Peso
Room	241,037,914	203,871,626
Food and Beverage	140,313,299	60,680,905
Other Operated Departments	2,881,991	1,016,506
Others	78,207,449	78,207,449

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:

<i>Balance Sheet Analysis</i>	30 September 2009	30 September 2008	31 December 2008
Current ratio	1.44	1.54	1.57
Net book value per share (include treasury shares)	PhP12.09	PhP12.01	PhP12.49
<i>Profit & Loss Analysis</i>			
Earnings per share	PhP1.54	PhP2.09	PhP2.70
Profit before tax margin ratio	30.5%	39.13%	38%
EBITDA	PhP166M	PhP226M	PhP300.2M

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. Current ratio has decreased by 0.1 as compared to last year same period. The decrease is mainly due to lower cash balances.

Net book value per share is derived by dividing the net stockholders’ equity by the total number of shares issued. This measures the value of the Company on a per share basis. There is no significant movement in net book value.

Earning per share (EPS) is derived by dividing the net profit after tax by the total shares outstanding. This indicator measures the earning of the Company on a per share basis. As compared to the same period last year, EPS is lower by PhP0.55 per share or 26%. The lower EPS is due to lower total revenue and profit after tax. Total revenue has decreased by about PhP92M as compared to the same period of last year.

Profit before tax margin ratio is computed by dividing the profit before tax against the total revenue. This ratio measures whether the Company is able to contain its expenses in relation to the revenue. This ratio is about lower than last year. The unfavorable variance is mainly due to lower revenue and non-operating income.

EBITDA represents earnings before income tax, interest, depreciation and amortization. This indicator is in effect a measure of the cash flow of the Company. EBITDA is lower this year due to lower revenue.

Balance Sheets Analysis:

Total assets increased by about PhP99.9 million or 7% as compared to the same period last year and decreased by PhP28.6 million or 2% as compared to year ended 31 December 2008.

Cash and short term notes:

This balance includes short-term fixed deposits with banks. There is a decrease of PhP23.6 million or 13% as compared to the end of last fiscal year and decrease of PhP30.8 million or 16% relative to last year same period. The lower cash balance compared to last fiscal year-end and same period of last year is due to amount paid out for share buyback payment for the Company and in addition, total revenue is lower which in turn generates less cash. In order for the Company to secure a Surety Bond in September 2008, the Company signed a Deed of Assignment of Saving/Time Deposit with Prudential Guarantee And Assurance Inc. with an amount of Ph93 million that is placed with Australian and New Zealand Banking Corp. Manila.

Accrued Interest Receivables:

Accrued interest receivable increased by PhP98, 388 compared to the same period of year and this is due to higher interest rates for Peso short-term notes placement compared with last year.

Accounts receivable – trade:

As compared to the same period of last year, there is a significant increase of about PhP166 million. The increase is due to the adjusting back of earlier reversal and offsetting of VAT receivable from a tenant and payable to the tax bureau in early 2008. Starting 4th quarter 2008, we have reinstated the VAT receivable from Pagcor and the corresponding liability to BIR.

Accounts receivable – others:

As compared to the same period of last year, there is a decrease of PhP2.07 million. This is mainly due to the payment by one of its tenant for some outstanding utilities charges.

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 also leases its hotel site and a furnished townhouse from an associated company. The Company has also entered into a management agreement with CDL Hotels (Phils) Corporation, a related company, for the latter to operate the Hotel.

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

As compared with the end of last fiscal year and same period of last year, there is an increase of about PhP27 million and PhP17 million respectively as the companies have not repaid their balances outstanding during the year.

Prepaid expenses:

There is a decrease of PhP11 million and PhP8 million as compared to the same period of last year and last fiscal year respectively. The main reason is due the amortization of prepaid insurance premium and the surety bond.

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 decrease of PhP51 million and PhP29 million compared with the same period of last year and end of last fiscal year respectively. The decrease is mainly due to depreciation charges for the year.

Accounts payable:

There is an increase of PhP148 million and fall of PhP14 million as compared against the same period of last year and the last fiscal year respectively. The decrease is due to the adjusting back of earlier reversal and offsetting of VAT payable to the tax bureau and VAT receivable from a tenant in early 2008. Effective 4th quarter 2008, we have reinstated the VAT receivable from Pagcor and the corresponding liability to BIR.

The fall in accounts payable as compared to end of last fiscal year is mainly due to lesser purchases as a consequence of lower revenue.

Accrued Liabilities:

As compared against the same period of last year, there is a decrease of PhP14 million which is due to reversal of over-accrual of real estate tax in the last quarter of year 2008. In addition, there is also a reversal of accruals of vacation leave of resigned staff

Rental payable:

As compared with the end of last fiscal year, there is an increase PhP8.6 million as the Company has not settled its rental to a related company. This will be settled in the last quarter of year 2009.

Due to associated/related companies:

As compared against the same period of last year, there is a significant decrease of PhP9.6 million as the Company has repaid its inter-company balances during the year.

There is an increase of PhP17 million as compared to end of last fiscal year as the related company has not settled its new obligation during the year.

Refundable Deposit:

This refers to the security rental deposits paid by tenant. The amount increased by PhP2 million as compared to the same period of last year and PhP2.7 million as compared to the end of last fiscal year. The variance is due to the payment of new security deposit for a new tenant.

Income Tax Payable:

Income tax payable decreased by PhP8.6 million as compared to 31 December 2008 and PhP10 million as the Company has paid its quarterly tax, lower taxable profit for the period of review and in addition, the tax rate for year 2009 is 30% compared with 35% in year 2008.

Treasury stock:

During the year 2009, the Company embarked on a share buyback exercise which is duly approved by the Board of Directors. The buyback offer is 1 share for every 25 shares and at the price of PhP50 per share. When the buyback offer was completed, the Company spent PhP134 million in this exercise.

The shares re-purchased were recorded as treasury shares and this account for the increase in treasury shares balance.

Income Statement Analysis For the 9 Months Ended 30 September 2008:

Revenue:

Total revenue decreased by PhP92.4 million or 16% as compared to the same period last year. The decrease is observed in rooms, food and beverage and rental income segments of the business.

Room revenue fell by PhP44.9 million as a result of lower Average Room Rate and occupancy. Occupancy showed a drop from 65% (year 2008) to 53% (year 2009). Average Room Rate (ARR) dropped marginally PhP109 or 3% as compared to year 2008. The overall poor world economy affects the tourism market in the Philippines. Companies are cutting down on traveling and holding of meetings in hotels which in turn affect our business.

Food and beverage (F&B) business showed a drop of PhP40 million as compared to the same period of last year. The 3 main revenue centers that registered significant drop are Banquet, Casino and Riviera which showed a fall in revenue of PhP10 million (36%), PhP19.7 million (35%) and PhP5 million (8%) respectively as compared to the same period of last year.

Riviera business is affected by the lower room occupancy and the opening of more independent restaurants nearby the Hotel also has an impact on Riviera's business. The opening of more new casinos in Metro Manila has also affected the trading of the casino business.

The decrease in Other Operated Departments is mainly due to the drop in telephone revenue and laundry revenue which are consistent with the lower room occupancy.

Cost of Sales:

Cost of sales for F&B registered a decrease as compared to last year which is consistent with the lower food and beverage revenue. In percentage terms, F&B cost increase by 1 percentage point and this is mainly due to higher inflation.

Gross Profit:

Gross profit is derived after deducting cost of sales from gross revenue. Gross profit as compared to last year is lower as a result of lower revenue.

Operating Expenses:

Operating expenses include among others, payroll and related expenses, utilities, depreciation charges, rental and other fixed expenses. There is a decrease in operating expenses of PhP20 million or 6.6% as compared to the same period of last year. The main reason is due to various profit protection plan implemented by the Hotel such as outsourcing of certain operating departments and non-replacement of staff who resigned unless in vital positions.

Net Operating Income:

This is derived after deducting operating expenses from gross operating profit. The lower margin is due to lower revenue.

Non-operating income:

Total non-operating income decreased by PhP13 million as compared to the same period of last year. This is due to the total foreign exchange loss of PhP1.5 million as compared to last year gain of PhP11.7 million.

Income Statement Analysis For the Third Quarter Ended 30 September 2008:

Revenue:

Total revenue decreased by PhP31.5 million or 17% as compared to the same period last year. The main fall is from Rooms and F&B business and other operated departments.

Room revenue showed a drop of PhP15.9 million or 18%. This is due to lower occupancy and ARR. F&B business also registered a drop of PhP12.7 million in revenue.

Cost of Sales:

Cost of sales for F&B registered a decrease as compared to last year. The decrease is due to lower revenue.

Gross Profit:

Gross profit is derived after deducting cost of sales from gross revenue. Gross profit as compared to last year is lower as a result of lower revenue.

Operating Expenses:

Operating expenses include among others, payroll and related expenses, utilities, depreciation charges, rental and other fixed expenses. There is a decrease in operating expenses by PhP7.8 million due various cost cutting initiatives.

Net Operating Income:

This is derived after deducting operating expenses from gross operating profit. The lower margin is due to lower revenue.

Non-operating income:

There is a net loss of PhP4 million mainly due to a net exchange loss of PhP5.6 million.

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 2009.

PART II – OTHER INFORMATION

Tax matter:

On 12 September 2008, the Company made a disclosure to the Philippine Stock Exchange and Securities and Exchange Commission via SEC 17C report, the substance of which disclosure is reproduced below.

The Company filed on 12 September 2008 a surety bond with the Court of Tax Appeals (“CTA”) in compliance with the condition imposed by the CTA in its Resolution dated

21 August 2008, granting the Company's Urgent Motion to Suspend Collection of Tax and Extremely Urgent Supplemental Motion to Suspend and Enjoin Collection of Taxes with Prayer for Immediate *Ex Parte* Issuance of Temporary Restraining Order.

With the filing of the surety bond, a Temporary Restraining Order came into effect enjoining the Bureau of Internal Revenue ("BIR") from, among other things, implementing (a) the Warrant of Distrain and/or Levy constructively served by the BIR on 11 August 2008 pursuant to which the BIR sought to (i) distrain the "goods, chattels or effects, and other personal property whatever character of [the Registrant]" and (ii) "levy upon the real property and interest in/or rights to real property of [the Registrant]", and "sell and/or forfeit in favor of the Republic of Philippines so much of such personal/real property as may be necessary to satisfy in full the sum/sums due ... ; and to cover such expenses as may be incurred in making this distrain/levy;" and (b) the Warrants of Garnishment issued by the BIR against the Company's bank accounts in the Philippines on 14 August 2008. Prior to the effectivity of the Temporary Restraining Order, and as a consequence of the Warrants of Garnishment, the Company was not able to operate the garnished bank accounts

As far as the Company is aware, the Warrant of Distrain and/or Levy and the Warrants of Garnishment were issued by the BIR in connection with a Final Decision on Disputed Assessment made by the BIR against the Company (the validity of the amounts claimed in which assessment the Company has disputed and continues to dispute) for deficiency value-added tax ("VAT") in an aggregate amount of PhP228,943,589.15 (consisting of PhP128,126,970.31 for deficiency VAT and 20% interest from 25 January 2003 to 31 December 2006 amounting to PhP100,816,618.83) in relation to payments for transactions with the Philippine Amusement and Gaming Corporation ("PAGCOR") from 1996 to 2002. The Company has filed with the CTA a Petition for Review of the Final Decision on Disputed Assessment against the Commissioner of Internal Revenue, docketed as CTA Case No. 7794 ("Petition for Review").

The Board of Directors of the Company has taken legal advice and, based upon such advice, is of the view that in light of the Supreme Court's decision in the case of *Commissioner of Internal Revenue v. Acesite (Philippines) Hotel Corporation (G.R. No. 147295, 16 February 2007)* which confirmed that PAGCOR's tax exemption privilege under its charter included the indirect tax of VAT and entitles persons dealing with PAGCOR in casino operations to a zero percent (0%) VAT rate, the Company is not liable for the deficiency VAT claimed by the BIR and that the Company has strong defenses against the BIR's tax assessment.

On 3 March 2009, the Company's officer testified and identified certain documents in the CTA. On the same hearing, the CTA cancelled the calendared hearing date on 13 March 2009. Instead the CTA instructed the BIR to file its Comments to the Company's Motion. After the filing by BIR or expiry of the filing date, the CTA would resolve the Company's Motion for Preliminary Hearing without any hearing date.

On 20 April 2009, the Company received a resolution from the CTA granting the Company's "Motion for Preliminary Hearing for the Limited Purpose of Resolving the Legal Issues". There were also hearings set on 28 May 2009 and 2 June 2009 whereby the Company presented evidence and identified documents at the CTA.

On 19 June 2009, the Company presented Formal Offer of Evidence (FOE). The BIR should have filed its comment to the Company's FOE within 15 days from its receipt. However, as at 17 July 2009, the Company has not received a copy of the BIR Comment.

The Company will continue to pursue its Petition for Review with the CTA and will file the necessary disclosure on the outcome thereof following the issuance of the judgment of the CTA.

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 2009, it holds bulk of its cash and cash equivalent in Philippines peso of Peso115 million and United States dollars of about US\$0.2 million. The United States dollars are used to settle foreign obligations. As such, the Company does not have currency risk exposure.

The Company does not have any third party loans so it has no interest rate risk. The Company in the ordinary course of business extends credit to its customers. Exposure to credit risk is monitored on an ongoing basis, credit review being performed for clients requesting for credit limit. The total exposure to trade receivables as at 30 September 2009 is Peso31 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 2009, the Company has Peso484 million current assets and Peso336 million liabilities so the current assets are able to cover its liability.

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

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 2009	30 Sept 2009	31 December 2008	31 December 2008
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	156,804,313	156,804,313	180,473,346	180,473,346
Receivables net	225,346,843	225,346,843	230,231,473	230,231,473
Due from related party	41,866,145	41,866,145	13,598,936	13,598,936
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	264,251,878	264,251,878	273,352,652	273,352,652
Due to related party	26,358,367	26,358,367	8,394,863	8,394,863

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, 2009 and 2008

(With comparative figures for the year ended December 31, 2008)

(In Philippine Pesos)

ASSETS	Unaudited Sept. 30, 2009	Unaudited Sept. 30, 2008	Audited Dec. 31, 2008
Current Assets			
Cash and short-term notes	156,804,313.17	187,597,322.78	180,473,346.18
Accrued interest receivable	157,904.33	59,516.17	260,158.16
Accounts receivable - trade	224,997,335.81	58,893,248.79	227,053,155.05
Accounts receivable - others	627,955.27	2,702,262.22	3,562,135.27
Provision for bad debts	(436,351.00)	(147,149.12)	(383,817.12)
Deferred income tax	5,962,745.35	6,618,406.50	6,459,891.80
Advances to associated/related companies	41,092,959.95	23,689,790.35	13,546,016.75
Advances to immediate holding company	773,186.71	-	52,920.00
Inventories	11,589,703.54	10,313,929.07	12,871,171.50
Prepaid expenses	10,830,268.12	22,215,038.92	18,998,280.84
Creditable withholding tax	246,518.14	72,864.10	163,769.42
Other current assets	31,469,125.12	22,350,619.06	20,637,706.19
<i>Total Current Assets</i>	<i>484,115,664.51</i>	<i>334,365,848.84</i>	<i>483,694,734.04</i>
Property and Equipment	762,710,186.70	813,190,420.38	791,964,131.49
Investment in Stock of Associated Company	46,889,664.86	46,233,108.19	46,674,476.32
Deposit on Lease Contract	78,000,000.00	78,000,000.00	78,000,000.00
Loans Receivable	15,500,000.00	15,500,000.00	15,500,000.00
Other Assets			
Miscellaneous investments and deposits	5,085,790.50	5,085,790.50	5,085,790.50
Others	1,010,000.00	1,010,000.00	1,010,000.00
<i>Total Other Assets</i>	<i>6,095,790.50</i>	<i>6,095,790.50</i>	<i>6,095,790.50</i>
Total Assets	1,393,311,306.57	1,293,385,167.91	1,421,929,132.35

GRAND PLAZA HOTEL CORPORATION

Balance Sheets

September 30, 2009 and 2008

(With comparative figures for the year ended December 31, 2008)

(In Philippine Pesos)

LIABILITIES AND STOCKHOLDERS' EQUITY	Unaudited Sept. 30, 2009	Unaudited Sept. 30, 2008	Audited Dec. 31, 2008
Current Liabilities			
Accounts payable	203,852,744.46	55,573,888.76	218,289,756.40
Accrued liabilities	48,973,075.52	63,083,454.10	52,206,382.93
Rental payable	11,426,059.20	8,569,544.40	2,856,514.80
Due to associated/related companies	26,358,367.92	35,922,599.41	8,394,863.14
Refundable deposit	28,407,294.81	26,395,871.58	25,655,067.21
Deferred rental - Pagcor	1,718,563.78	1,718,463.86	1,718,463.86
Dividend payable	-	-	-
Income tax payable	9,962,743.66	20,028,692.51	18,608,931.70
Other current liabilities	3,608,378.42	5,690,181.92	3,568,697.21
Reserves	2,626,699.65	27,528,141.15	-
<i>Total Current Liabilities</i>	<u>336,933,927.42</u>	<u>244,510,837.69</u>	<u>331,298,677.25</u>
Long - Term Liabilities			
Reserves	-	-	-
<i>Total Long - Term Liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Stock			
Authorized - 115,000,000 shares in 2008 and 2007 at P10.00 par value per share			
Capital stock	873,182,699.00	873,182,699.00	873,182,699.00
Premium on capital stock	11,965,903.78	11,965,903.78	11,965,903.78
Paid-in capital in excess of par - Warrants	2,691,613.81	2,691,613.81	2,691,613.81
Treasury stock	(1,116,857,170.00)	(982,663,220.00)	(982,663,220.00)
Retained earnings/(deficit) - beginning	1,185,453,458.51	1,002,576,106.07	1,002,576,106.07
Retained profit/(loss) for the period	99,940,874.05	141,121,227.56	182,877,352.44
Dividend declared	-	-	-
<i>Total Stockholders' Equity</i>	<u>1,056,377,379.15</u>	<u>1,048,874,330.22</u>	<u>1,090,630,455.10</u>
Total Liabilities and Stockholders' Equity	<u>1,393,311,306.57</u>	<u>1,293,385,167.91</u>	<u>1,421,929,132.35</u>

GRAND PLAZA HOTEL CORPORATION

Income Statements

For the years ended September 30, 2009 and 2008

(With comparative figures for the year ended December 31, 2008)

(In Philippine Pesos)

	Unaudited Year-to-date Sept. 30, 2009	Unaudited Year-to-date Sept. 30, 2008	Audited Full Year Dec. 31, 2008
Revenue			
Rooms	241,037,914	286,018,288	380,351,872
Food & Beverage	140,313,299	180,810,824	236,216,844
Other Operated Depts.	2,881,991	3,950,528	4,126,867
Rental Income/Others	78,207,449	84,080,870	112,745,054
Total Revenue	462,440,653	554,860,510	733,440,636
Cost of Sales			
Food & Beverage	40,772,493	51,156,667	67,029,605
Other Operated Depts.	864,188	601,431	963,721
Total Cost of Sales	41,636,680	51,758,097	67,993,326
Gross Profit	420,803,972	503,102,413	665,447,310
Operating Expenses	284,383,140	304,513,462	404,969,124
Net Operating Income	136,420,833	198,588,950	260,478,186
Non-operating Income/(Loss)			
Interest Income	6,057,725	6,111,494	8,252,267
Dividend Income	74,150	74,471	75,371
Gain/(Loss) on Disposal of Fixed Assets	825	237,173	278,073
Exchange Gain/(Loss)	(1,556,192)	11,758,452	10,818,403
Share in Net Income/(Loss) of Associated Co.	215,189	384,463	825,831
Other Income	0.30	-	-
Total Non-Operating Income	4,791,696	18,566,053	20,249,946
Net Income/(Loss) Before Tax	141,212,529	217,155,003	280,728,132
Provision for Income Tax	41,271,655	76,033,776	97,850,780
Net Income/(Loss) After Tax	99,940,874	141,121,228	182,877,352
Earnings per share	1.54	2.09	2.70
Dilluted earnings per share	1.54	2.09	2.70

Notes:

In September 2009, total shares outstanding is 64,980,633 shares net of 22,337,637 treasury shares.

In September & December 2008, total shares outstanding is 67,664,512 shares net of 19,653,758 treasury shares.

GRAND PLAZA HOTEL CORPORATION
Income Statements
For the 3rd quarters ended September 30, 2009 and 2008
(In Philippine Pesos)

	Unaudited 3rd Quarter Sept. 30, 2009	Unaudited 3rd Quarter Sept. 30, 2008
Revenue		
Rooms	72,861,906	88,781,369
Food & Beverage	45,645,802	58,427,316
Other Operated Depts.	873,015	1,264,317
Rental Income/Others	25,595,341	28,039,438
	<hr/>	<hr/>
Total Revenue	144,976,064	176,512,441
	<hr/>	<hr/>
Cost of Sales		
Food & Beverage	13,266,484.30	16,678,491.70
Other Operated Depts.	205,353.98	321,300.65
	<hr/>	<hr/>
Total Cost of Sales	13,471,838	16,999,792
	<hr/>	<hr/>
Gross Profit	131,504,225	159,512,649
	<hr/>	<hr/>
Operating Expenses	91,428,858	99,303,294
	<hr/>	<hr/>
Net Operating Income	40,075,368	60,209,354
	<hr/>	<hr/>
Non-operating Income/(Loss)		
Interest Income	1,753,260	1,918,450
Dividend Income	-	-
Gain/(Loss) on Disposal of Fixed Assets	-	75,243
Exchange Gain/(Loss)	(5,668,666)	(16,788)
Share in Net Income/(Loss) of Associated Co.	(101,131)	180,929
	<hr/>	<hr/>
Total Non-Operating Income	(4,016,537)	2,157,834
	<hr/>	<hr/>
Net Income/(Loss) Before Tax	36,058,830	62,367,188
	<hr/>	<hr/>
Provision for Income Tax	10,672,635	21,555,900
	<hr/>	<hr/>
Net Income/(Loss) After Tax	25,386,195	40,811,288
	<hr/> <hr/>	<hr/> <hr/>

GRAND PLAZA HOTEL CORPORATION
Statements of Changes in Equity
For the years ended September 30, 2009 and 2008
(With comparative figures for the year ended December 31, 2008)
(In Philippine Pesos)

	Year-to-date Sept. 30, 2009	Year-to-date Sept. 30, 2008	Audited Dec. 31, 2008
Balance - beginning	1,090,630,455	1,047,630,403	1,047,630,403
Prior period adjustment	-	-	-
Balance - as adjusted	1,090,630,455	1,047,630,403	1,047,630,403
Net income for the period	99,940,874	141,121,228	182,877,352
Dividends	-	-	-
Buyback of shares	(134,193,950)	(139,877,300)	(139,877,300)
Balance - end	1,056,377,379	1,048,874,330	1,090,630,455

GRAND PLAZA HOTEL CORPORATION**Cash Flow Statements**

For the years ended September 30, 2009 and 2008

*(With comparative figures for the year ended December 31, 2008)***(In Philippine Pesos)**

	Unaudited Year-to-date Sept. 30, 2009	Unaudited Year-to-date Sept. 30, 2008	Audited Full Year Dec. 31, 2008
Cash flows from operating activities			
Net income	99,940,874	141,121,228	182,877,352
Adjustments to reconcile net income to net cash provided by operating activities			
Prior period adjustments	-		-
Depreciation and amortization	29,755,430	27,458,905	39,750,917
Equity in net income of associated company	(215,189)	(384,463)	(825,831)
Provision for bad debts	436,351	147,149	383,817
Changes in operating assets and liabilities			
(Increase) decrease in			
Accrued interest receivable	102,254	109,178	(91,464)
Accounts receivable - trade	1,672,002	159,943,159	(8,216,747)
Accounts receivable - others	2,934,180	(353,324)	(1,213,197)
Deferred income tax	497,146	5,161,648	5,320,162
Advances to associated company	(27,546,943)	(5,969,771)	4,174,002
Advances to immediate holding company	(720,267)	218,717	165,797
Inventories	1,281,468	809,229	(1,748,013)
Prepaid expenses	8,168,013	(5,697,970)	(2,481,212)
Creditable withholding tax	(82,749)	27,960	(62,946)
Other current assets	(10,831,419)	(3,876,065)	(2,163,152)
Increase (decrease) in			
Accounts payable	(14,437,012)	(148,670,433)	14,045,435
Accrued liabilities	(3,233,307)	4,962,123	(5,914,948)
Rental payable	8,569,544	7,617,373	1,904,343
Due to associated company	17,963,505	29,915,124	2,387,388
Refundable deposit	2,752,228	(1,996,260)	(2,737,064)
Deferred rental - Pagcor	100	(5,646,381)	(5,646,381)
Dividend payable	-	(444,999)	(444,999)
Income tax payable	(8,646,188)	(5,646,657)	(7,066,417)
Other current liabilities	39,681	(5,813,474)	(7,934,959)
Reserves	2,626,700	1,752,374	(25,775,768)
	<u>111,026,402</u>	<u>194,744,369</u>	<u>178,686,116</u>
Cash flows from investing activities			
Acquisition of property and equipment - net	(501,485)	(22,302,115)	(13,367,838)
Dividend (declared)/received	-	-	-
(Receipts)/Payments relating to other assets	-	-	-
Buyback of shares - net	(134,193,950)	(139,877,300)	(139,877,300)
	<u>(134,695,435)</u>	<u>(162,179,415)</u>	<u>(153,245,138)</u>
Cash flows from financing activities			
Increase/(Decrease) in reserves	<u>-</u>	<u>-</u>	<u>-</u>
Net increase in cash and short-term notes	(23,669,033)	32,564,954	25,440,977
Cash and short-term notes, Beginning	<u>180,473,346</u>	<u>155,032,369</u>	<u>155,032,369</u>
Cash and short-term notes, Ending	<u><u>156,804,313</u></u>	<u><u>187,597,323</u></u>	<u><u>180,473,346</u></u>

GRAND PLAZA HOTEL CORPORATION
Cash Flow Statements
For the 3rd quarters ended September 30, 2009 and 2008
(In Philippine Pesos)

	Unaudited 3rd quarter Sept. 30, 2009	Unaudited 3rd quarter Sept. 30, 2008
Cash flows from operating activities		
Net income	25,386,195	40,811,288
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	9,877,084	9,381,772
Equity in net income of associated company	101,131	(180,929)
Provision for bad debts	436,351	147,149
Changes in operating assets and liabilities		
(Increase) decrease in		
Accrued interest receivable	59,351	73,200
Accounts receivable - trade	301,325	(3,167,116)
Accounts receivable - others	1,352,238	4,228,169
Deferred income tax	12,566,067	(1,506,485)
Advances to associated company	(21,771,570)	(2,219,703)
Inventories	2,706,280	(50,864)
Prepaid expenses	1,072,034	(10,206,659)
Creditable withholding tax	(209,387)	61,608
Other current assets	(15,243,482)	6,308,900
Increase (decrease) in		
Accounts payable	1,443,430	9,878,044
Accrued liabilities	(639,860)	2,674,095
Rental payable	2,856,515	2,856,515
Due to associated company	6,835,765	12,146,498
Refundable deposit	(656,292)	(966,279)
Deferred rental - Pagcor	-	-
Income tax payable	(15,187,036)	(983,227)
Other current liabilities	12,571	3,352,405
Reserves	1,606,870	1,617,402
	<u>12,846,971</u>	<u>74,255,783</u>
Cash flows from investing activities		
Acquisition of property and equipment - net	(132,321)	(6,976,065)
Buyback of shares	(134,193,950)	(139,877,300)
	<u>(134,326,271)</u>	<u>(146,853,365)</u>
Cash flows from financing activities		
Increase/(Decrease) in reserves	<u>-</u>	<u>-</u>
Net increase in cash and short-term notes	(121,479,301)	(72,597,582)
Cash and short-term notes, Beginning	<u>278,283,614</u>	<u>260,194,905</u>
Cash and short-term notes, Ending	<u><u>156,804,313</u></u>	<u><u>187,597,323</u></u>

Grand Plaza Hotel Corporation
Aging Report As At 30 September 2009

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	345,719	914,865	6,296	60,000	411,006		1,737,886	5.60%
Credit card	2,513,668						2,513,668	8.09%
PAGCOR	1,873,039	5,399,388	7,186,491	935,064	525,788		15,919,770	51.26%
Individual - local							-	0.00%
Company - local	1,026,000	2,558,601	1,349,117	113,970	454,807	356,162	5,858,657	18.87%
Overpayment	(9,963)	(54,214)	(10,119)	(52,016)	(31,840)	(466,467)	(624,619)	-2.01%
Permanent accounts	28,611	12,577	7,281	7,019	9,000	22,257	86,745	0.28%
Employee charges							-	0.00%
Travel Agent - Local	67,960	1,421,071	661,816		85,282	42,949	2,279,078	7.34%
Temporary credit	286,759	912,552	67,076		120,928		1,387,315	4.47%
Travel Agent - Foreign	599,465	929,643	367,693				1,896,801	6.11%
TOTAL	6,731,258	12,094,483	9,635,651	1,064,037	1,574,971	(45,099)	31,055,301	100.00%
%	21.68%	38.94%	31.03%	3.43%	5.07%	-0.15%	100.00%	