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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
Date & Time of Broadcast	22-Feb-2012 17:14:53
Announcement No.	00043

>> Announcement Details

The details of the announcement start here ...

Announcement Title *	Announcement by Subsidiary Company, Grand Plaza Hotel Corporation, on Full Year Results for the Year Ended 31 December 2011
Description	Please see the attached announcement released by Grand Plaza Hotel Corporation on 22 February 2012.
Attachments	Grand_Plaza_Full_Yr_Results_2011.pdf Total size = **1814K** (2048K size limit recommended)

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102222012000316

SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills,Mandaluyong City, Metro Manila,Philippines
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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	102222012000316
Document Type	17-A (FORM 11-A:AANU)
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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended 31 December 2011

2. SEC Identification Number 166878 3. BIR Tax Identification No. 000-460-602-000

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

5. City of Pasay, Philippines
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

7. 10/F, The Heritage Hotel Manila, Roxas Blvd. Cor. EDSA Ext., Pasay City 1300
Address of principal office Postal Code

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

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	**87,318,270** (Inclusive of 27,390,759 treasury shares)

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

Yes [x] No [ ]

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

Stock Exchange : Philippine Stock Exchange
Securities : Common Shares

12. Check whether the issuer:

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

Yes [x] No [ ]

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

Yes [x] No [ ]

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

The share price of the Company as of 12 January 2012 is PhP30.00 and the total voting stock held by non-affiliates of the Company is 8,127,047. Therefore, the aggregate market value of the voting stock held by non-affiliates of the Company is PhP243,811,410.

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

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

Yes [ ] No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

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

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

PART I – BUSINESS & GENERAL INFORMATION

ITEM 1. BUSINESS

General

The Company was registered with the Securities and Exchange Commission on 9 August 1989 primarily to own, lease or manage one or more hotels, inns or resorts, all adjuncts and accessories thereto and all other tourist oriented businesses as may be necessary in connection therewith.

The Company owns The Heritage Hotel Manila, a deluxe class hotel which offers 467 rooms and deluxe facilities such as restaurants, ballrooms, and a casino.

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

For the fiscal year ended 31 December 2011, the Company reported a net profit after tax of about PhP176 million as against PhP173.5 million in 2009 and PhP138.3 million in 2009.

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

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

Competitive Position

The main competitors of The Heritage Hotel Manila are Manila Diamond Hotel, Pan Pacific, Traders Hotel and Dusit Thani Hotel.

Based on information made available to us, the competitive position of these hotels is shown below:

NAME	MPI	ARI	RGI
Heritage Hotel	0.91	0.84	0.76
Diamond Hotel	1.03	0.88	0.91
Dusit Thani	1.09	1.24	1.35
Pan Pacific	0.92	1.20	1.10
Traders Hotel	0.99	0.76	0.75

Note: MPI stands for Market Penetration Index, ARI stands for Average Room Rate Index and RGI stands for Revenue Growth Index. A figure of “1” means that the hotel is getting the fair share of the market.

Raw Materials and Services

The hotel purchases its raw material for food and beverage (“F&B”) from both local and foreign suppliers. The top 3 suppliers for raw materials are Agathon Trading, Yulick Food Corporation and RGL 33 Fruits and Vegetables.

Dependence on Single Customer

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

Related Party Transactions

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

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

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

Policy on Related Party Transactions

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

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

a. the nature of the related party relationship;
b. the type of transaction (e.g. supply or services contract, loans, guarantees);
c. the total amounts payable and receivable in the transaction from or to the related party;

d. the elements of the transaction necessary to understand the listed company's financial statements.

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

No disclosure is needed for any transaction where:

a. The transaction involves services at rates or charges fixed by law or governmental authority;

b. The transaction involves services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture, or similar services;

c. The amount involved in the transaction or a series of similar transactions has an aggregate value of less than PhP2,500,000; or

d. The interest of the person arises solely from the ownership of securities of the registrant and the person receives no extra or special benefit that was not shared equally (pro rata) by all holders of securities of the class.

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

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

b. The vote of such director was not necessary for the approval of the contract.

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

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

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

b. The vote of such director was not necessary for the approval of the contract.

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

Patents, Trademarks, Etc.

The Company registered the tradename "The Heritage Hotel Manila" with the Intellectual Property Office on 12 July 2000 under registration number 41995105127. Under current laws, the registration is valid for a term of 20 years, or up to 12 July 2020. The registration is renewable for another 10 years.

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

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

Government Approval and Regulation

The hotel applies for Department of Tourism ("DOT") accreditation annually. The accreditation is based on a certain standard set by the DOT for deluxe class hotels. The DOT inspects the hotel to determine whether the hotel meets the criteria of the DOT. The DOT accredited the hotel and the Company for the year 2011.

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

Development Activities

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

Number of Employees

The hotel employed a total of 400 employees during the year 2011. Out of the 400 employees, 255 are regular employees and 145 are casual employees.

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

	REGULAR	CASUAL	TOTAL
Hotel Operating Staff (All operating dept)	183	116	299

Management/Admin/Security (A&G Dept)	31	27	58
Sales & Marketing	15		15
Repairs & Maintenance	26	2	28
Total	255	145	400

Barring any unforeseen circumstance, for the year 2012, the Company will maintain more or less the same number of employees as in year 2011.

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

ITEM 2. PROPERTIES

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

The lease for the hotel site is for a period of 25 years renewable for another 25 years. The lease commenced on 1 January 1990.

The annual rental expenses for the hotel site and is PhP10.6 million.

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

ITEM 3. LEGAL PROCEEDINGS

In the middle of 2008, the Company received from the Bureau of Internal Revenue (BIR) a Final Decision on Disputed Assessment finding the Company liable for deficiency value added tax (VAT) with respect to the years 1996 to 2002 in total amount of P228.94 million and that the Company filed a petition for review with the Court of Tax Appeal (CTA) to appeal against such Final Decision on Disputed Assessment.

The BIR also issued a Warrant of Distraint and/or Levy and Warrant of Garnishment against the Company and its assets. On 12 September 2008, the Company filed a surety bond with the CTA, and the CTA granted the Company's Urgent Motion to Suspend Collection of Tax and Extremely Urgent Supplemental Motion to Suspend and Enjoin Collection of Taxes and issued a Temporary Restraining Order enjoining the BIR from further efforts at collection of taxes, and particularly the implementation of the Warrant of Distraint and/or Levy and the Warrant of Garnishment.

In 2009, the Company moved to have a preliminary hearing conducted to first resolve the legal issues. The CTA granted the motion and hearings were subsequently conducted. On 4 September 2009, the CTA granted the evidence presented by the Company.

On 6 January 2011, the Company received a CTA Resolution in which the CTA resolved to lift the Warrant of Garnishment (thereby lifting the Warrant of Distraint and/or Levy as well) but denied the Company's Motion to Discharge Surety Bond.

On 22 June 2011, a copy of the CTA's resolution promulgated on 17 June 2011, which resolved the Motion in favor of the Company, thereby ordering that the surety bond posted by the Company for the suspension of collection of taxes be cancelled and withdrawn.

As mentioned in the CTA Resolution, in line with the decision of the Supreme Court in *Philippine Amusement and Gaming Corporation (PAGCOR) vs. The Bureau of Internal Revenue, et al.*, the CTA, in its decision dated 18 February 2011, cancelled the Bureau of Internal Revenue's ("BIR") assessment against the Company for deficiency value-added tax in the amount of PhP228,943,589.15 for taxable years 1996 to 2001. In its resolution dated 17 May 2011, the CTA denied the Commissioner of Internal Revenue's Motion for Reconsideration of the CTA's decision rendered on 18 February 2011. According to the CTA, considering that the assessment against the Company for deficiency VAT has been cancelled, the CTA deemed it proper that the surety bond posted by the Company be discharged.

On 1 September 2011, the CTA En Banc resolved to give course to BIR's appeal. The Company has filed its Memorandum in early October 2011. On 15 November 2011, the CTA ruled that BIR for failure to file the Memorandum within the period prescribed by the Court and the Company has already filed its Memorandum, the case is now deemed for resolution.

Other than the above matter, there are no material legal proceedings to which the Company or any of its subsidiaries or affiliates is a party or of which any of its property is the subject.

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

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

In the 13 May 2011 annual stockholders' meeting, the following were elected as directors of the Company:

Wong Hong Ren;
Eddie C.T. Lau;
Bryan Cockrell;
Eddie Yeo Ban Heng;
Mia Gentugaya (independent director)
Angelito Imperio; (independent director) and
Michele Dee Santos

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

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

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

The following are the high and low share prices of the Company for the year 2010 and 2009:

Amount in Peso:

	HIGH	LOW	HIGH	LOW
	Year 2011	Year 2011	Year 2010	Year 2010
First Quarter	No movement	No movement	No movement	No movement
Second Quarter	No movement	No movement	No movement	No movement
Third Quarter	33	30	No movement	No movement
Fourth Quarter	No movement	No movement	No movement	No movement

The last recorded trade of the shares of the Company during the fiscal year covered by this report occurred on 24 October 2011. The share price was PhP33.

Holders of Securities

The Company has only one class of shares, i.e., common shares. The total outstanding common shares as of 31 December 2011 is 87,318,270 inclusive of 27,390,759 treasury shares.

As of 31 December 2011, the number of shareholders of the Company is 506.

The list of the top 20 shareholders is as follows:

	NAME OF SHAREHOLDER	NO. OF SHARES	% OF SHAREHOLDING (INCLUSIVE OF TREASURY SHARES)
01	The Philippine Fund Ltd.	32,002,846	36.65%
02	Grand Plaza Hotel Corp- Treasury Stocks	27,390,759	31.37%
03	Zatrio Pte Ltd	19,797,618	22.67%
04	PCD Nominee Filipino	7,332,251	8.4%
05	PCD Nominee Non-Filipino	231,228	0.26%
06	Alexander Sy Wong	38,553	0.04%
07	Yam Kit Seng	7,000	<0.01%

08	Phoon Lin Mui	7,000	<0.01%
09	Yam Kum Cheong	7,000	<0.01%
10	Yam Poh Choo	7,000	<0.01%
11	Lucas M. Nunag	4,800	<0.01%
12	Natividad Kwan	3,983	<0.01%
13	Le Ying Tan-Lao	3,068	<0.01%
14	Yam Kit Sung	2,999	<0.01%
15	Peter Kan	2,443	<0.01%
16	Romeo L. Salonga	2,400	<0.01%
17	Christopher Lim	2,239	<0.01%
18	Robert Uy	2,000	<0.01%
19	Certerio B. Uy	1,000	<0.01%
20	Rolando S. Umali	1,000	<0.01%
	Total	86,847,167	99.46%

Dividends

No dividend was declared in year 2011.

On 22 November 2010, the Board of Directors declared cash dividends of PhP1 per share for all shareholders of record as of 7 December 2010.

Dividend Policy

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

Recent Sales of Unregistered Securities

The Company does not have any unregistered securities.

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

(A) Full Fiscal Year

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

	2011	2010	2009
Current ratio	**2.03**	1.51	1.87
Net book value per share (include treasury shares)	**PhP12.93**	PhP12.34	PhP12.54
Earnings per share	**PhP2.89**	PhP2.75	PhP2.13
Profit before tax margin ratio	**34.78%**	36.21%	31.39%
EBITDA	**PhP280.0 million**	PhP274.4 million	PhP232.1 million

Current ratio is derived by dividing the current assets with the current liabilities. This indicator measures the liquidity of the Company in the short-term. The current ratio has increased significantly by 0.52 (34%) due to an increase in cash balance by 93% over last year.

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. The net book value per share increased for the period of review due to higher assets.

Earning per share 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. The earnings per share increased in year 2011 due to higher profitability.

Profit before tax margin ratio is computed by dividing the profit before tax against the total revenue. This ratio measures whether the Company is able to contain its expenses in relation to the revenue. The Company has recorded a lower ratio due to higher expenditures.

EBITDA represents earnings before income tax, interest, depreciation and amortization. This indicator is in effect a measure of the cash flow of the Company. The Company shows an improvement of PhP5.6million or 2% due to higher earnings.

Results of Operations:

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

YEAR	REVENUE – PHP'000	NIAT – PHP'000
2011	718,828	176,063
2010	679,849	174,133
2009	631,743	138,317

2011 Results of operations

For the year under review, the Company showed a modest growth in revenue of PhP39 million or 5.7% compared to last year. However, the net income after tax slightly increased by PhP2.5 million or 1% due to rising inflation.

Revenue:
Room revenue improved by PhP6.2 million or 1.7% compared to last year. Occupancy improved from 63% to 67% while Average Room Rate showed a drop of 4%. The growth in room revenue is derived mainly from the group and airline crews segments.

F&B revenue improved by PhP11 million or 5% over the same period of last year. The improvement in F&B is shown in Riviera, Casino and lobby lounge outlets. Casino registered the strongest growth of PhP11.6 million or 27% compared to last year.

Other operated departments registered a minor growth of PhP0.16 million while other revenue increased by PhP21.4 million or 18% due to higher rental for a new tenant.

Cost of sales:
F&B cost of sales showed an increase of PhP5 million or 8% which is consistent with the higher F&B revenue.

Gross Profit:
Gross profit is derived after deducting cost of sales from revenue. There is an improvement in gross profit by 5.5 % as compared with year 2010. This is due to higher revenue contribution.

Selling Expenses:
Selling expenses increased by PhP17.6 million or 9% over last year. One of the main reasons for the increment is due to higher property operation, maintenance, energy and conservation expenses which increased by PhP10.5 million due to higher electricity rate this year. In addition, payroll and related expenses also increased by PhP2.6 million due to salary increase.

Administrative Expenses:
Administrative expenses increased by PhP9.8 million or 5% due to higher payroll and related expenses and professional fees.

Other Income/(Expenses):
This consists mainly of interest income and foreign exchange gain or loss. There is a fall of PhP2.9 million or 28% due to the fact that in year 2010, there was recognition of other income from purchase of Tax Credit Certificate.

Net Income before tax:
This is the income before tax but after deduction of all expenses. There is an increase of PhP3.8 million in year 2011 as compared to last year. The favorable variance is due to higher revenue.

Provision for income tax:
Total provision for income tax for year 2011 is PhP73.9 million (2010: PhP72.5 million). This increase in provision is consistent with the higher profit.

Net Income:
As a result of the significantly higher revenue, the profit after tax of the Company showed an increase of PhP2.5 million.

2010 Results of Operations

The Philippines economy including the hospitality industry has a good year 2010. The hospitality industry in the first half of year 2010 was very buoyant due to the national election. With more spending during the election period, the hotels were doing well for both rooms and food and beverage (F&B) businesses.

Revenue:
Room revenue improved by PhP31.9 million or 9.7% versus last year same period. Occupancy increased from 55% in year 2009 to 63% in year 2010. The Revpar also increased by 9.7% to PhP2,201.

F&B revenue fell slightly by PhP234,000 or less than 1% mainly due to lower contribution from the casino operation. Pagcor casinos are affected with the opening of the new Resort World.

Other operating department revenue improved significantly by PhP6.4 million or 151% due to higher telephone and internet revenue.

Others showed an improvement of PhP10 million or 9.5% due to higher rental from tenant.

Cost of sales:

Total cost of sales increased by PhP3.2 million mainly due to higher cost of sales for telephone department. The increase in cost of sales in telephone department is consistent with the higher telephone revenue which increased by 300% versus the same period of last year.

Gross Profit:
Gross profit is derived after deducting cost of sales from revenue. There is an improvement in gross profit by 7.8% as compared with year 2009. This is due to significantly higher revenue contribution.

Selling Expenses:
Selling expenses increased by PhP6 million (3%) as compared to the same period of last year. The increase in selling expenses is consistent with the improvement in total revenue. Bulk of the increment is in property operation, maintenance, energy and conservation.

Administrative Expenses:
This expense fell by PhP4 million (2%) relative to last year. This is mainly due to effort to reduce head counts and control of expenses. Depreciation and insurance expenses were also lower than same period of last year.

Other Income/(Expenses):
Total other income/(expenses) increased by PhP4.6 million (79%) as a result of higher other income and lesser foreign exchange loss.

Net Income before tax:
This is the income before tax but after deduction of all expenses. There is an increase of PhP48 million in year 2010 as compared to last year. The favorable variance is due to higher revenue.

Provision for income tax:
Total provision for income tax for year 2010 is PhP72 million (2009: PhP59 million). This increase in provision is consistent with the higher profit.

Net Income:
As a result of the significantly higher revenue, the profit after tax of the Company showed an increase of PhP36 million.

2009 Results of Operations

The sub-prime financial crisis that started in year 2008 has a spill over effect in year 2009. Coupled with the H1N1 swine flu crisis, year 2009 is not a strong year for tourism in the Philippines. In general, most hotels in Metro Manila registered a slow down in business. In addition, new hotels such as Marriott New Port which opened in the last quarter of year 2009 added more hotel rooms to the already soft market.

The Company reported a decrease of PhP101 million or 13% in revenue compared with last year. It also registered a lower profit after tax of PhP138 million or a decrease of 24% compared to the prior year.

Revenue:
Room division revenue decreased by PhP51 million or 13% as compared to the same period of last year. Occupancy for year 2009 was 55% compared to 63% in year 2008. Average Room Rate (ARR) remains similar to year 2008. As such, due to the fall in occupancy, total room revenue decreased by 13%.

Food and beverage (F&B) revenue registered a decrease of PhP43 million or 18%. Total food covers also posted a fall from 449,189 in year 2008 to 399,927 in year 2009. In addition, average food check also registered a fall of PhP14 or 3%. The biggest short fall in revenue is from the Riviera café, Banquet and Casino restaurants. The drop in Riviera café is mainly due to lesser breakfast revenue which is a result of lower room occupancy. As for casino, the cost cutting measures implemented by PAGCOR affected the F&B revenue of this outlet. Banquet posted lower revenue compared with prior year due to lesser meetings and events held in the hotel.

Others - The bulk of this comes from rental income from PAGCOR. A tenant has moved out at the end of year 2008 and the new tenant has not moved in until late December 2009 which affected the total rental income.

Cost of Sales:
Food and beverage cost of sales decrease by PhP10 million or 15% as against last year. The decrease in food and beverage cost of sales is consistent with the decrease in food and beverage revenue.

Gross Profit:
Gross profit is derived after deducting cost of sales from revenue. There is a drop in gross profit by 13.7% as compared with year 2008. This is due to lower revenue contribution.

Selling and Operating Expenses:
The detailed breakdown of this line item can be found in Note 16 of the Financial Statements. The bulk of this expense relates to payroll and related costs and also property operation, maintenance, energy and conservation (POMEC) expenses, guest supplies and laundry costs.

Payroll and related expenses have shown significant drop of PhP6.3 million. Property operation, maintenance, energy and conservation also show significant decrease of PhP17 million as a result of lower occupancy and energy saving actions.

Administrative and General Expenses:
The detailed breakdown of this line item can be found in Note 17 of the Financial Statements.
The bulk of this expense relates to payroll and related costs for overhead/supporting departments such as Engineering, Sales and Marketing, Human and Resources and Administrative and General.

Total payroll and related expenses has decreased by PhP5.6 million. Management and incentive fees decreased by 20% which were consistent with the lower revenue and gross operating profit. Property tax has increased by about PhP5 million due to reversal of over-accrual in prior year. Taxes and licenses increased by about PhP4.6 million relative to year 2008 due to payment of a deficient tax.

Other income/(expenses):
The Company registered an income of PhP5.8 million versus last year of PhP22.5 million in this section. The higher income for last year was due to the foreign exchange gain of PhP13.9 million while this year was a loss of PhP2 million.

Net Income before tax:
This is the income before tax but after deduction of all expenses. There is a drop of PhP82 million in year 2009 as compared to last year. The unfavorable variance is due to lower revenue.

Provision for income tax:
Total provision for income tax for year 2009 is PhP59 million (2008: PhP97 million). This decrease in provision is consistent with the lower profit and the lower income tax rate of 30% versus 35% in year 2008.

Net Income:
As a result of the significant lower revenue, the profit after tax of the Company showed a decrease of PhP44 million.

Financial Conditions:

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

YEAR	ASSETS - PHP'000	LIABILITIES – PHP'000
2011	1,526,631	397,319
2010	1,467,596	390,013
2009	1,435,656	340,902

2011 Financial Conditions

Total assets for the year 2011 increased by PhP59 million or 4% versus to last year. Total liabilities increased by PhP7.3 million or 1.8%. The main increase in assets is due to higher cash position.

Assets:

- Cash and cash equivalents: This balance includes cash on hand and also short-term placements with banks. This balance increased by PhP171 million (93%) over last year. The main reason is because in last year's financial statements, about PhP93 million was classified under non-current assets while this was re-classified back to cash in year 2011. In addition, due to better trading and no major spending, cash balance also improved.

- Due from related parties: This balance increased by PhP0.89 million (40%) as the related parties have not settled its obligation to the Company as at year end 2011.

- Inventories: There is a decrease of PhP0.76 million (5%) due to lower general supplies balance.

- Prepayments and other current assets: There is a fall of PhP2.2 million (14%) mainly due to lesser prepaid expenses for this year. The bulk of prepaid insurance in relation to the Surety Bond has been terminated in the 3rd quarter of year 2011 as there is no requirement for the Bond.

- Deferred tax assets – net: Deferred tax assets comprised of accrual of retirement expenses, foreign exchange difference gain, deferred rental income and provision for impairment losses on receivables. There is an increase of PhP1.43 million (16%) relative to the same period of last year. The increase is due to higher balance in retirement expenses and deferred rental income.

- Property and equipment – net: This balance decreased by PhP24 million (3%) due to depreciation charges for the year and offset by addition of fixed assets of PhP14 million.

- Other non-current assets: The main reason for the fall in this balance by PhP93 million (52%) is that in year 2010, there was a restricted cash balance of PhP93.7 million which in year 2011 was reclassified to cash.

Liabilities and Equity:

- Accounts payable and accrued expenses: This balance increased by PhP23 million or 38% mainly due to higher trade payables.

- Income tax payable: This balance increased by PhP3.7 million (23%) mainly due to higher taxable profit.

- Due to related parties: There is an increase in this balance by PhP11.4 million (144%) as the Company has not repaid the outstanding balances to its related companies.

- Other current liabilities: This balance decrease by PhP40.5 million (15%) as in year 2010, there was a balance of PhP54.6 million of dividend payable which was absent in this year 2011.

- Refundable deposits: This account pertains to deposits given by tenants and customers. The increase of PhP5.6 million (25%) is due to an increase in security deposit by one tenant.

- Accrued retirement liability: The increase in this balance by PhP3.4 million (11%) is due to the accrual of more retirement liability for the year in accordance to the Actuarist Report.

- Treasury stock: During the year 2011, the Company conducted a share buyback exercise with a share price of PhP50 per share and the ratio of 1 share for every 25 shares. The total amount is PhP123.7 million.

2010 Financial Conditions

Total assets for the year 2010 increased by PhP31 million or 2% as compared to the last period of review. While total liabilities increased by PhP49 million or 14% as compared to end of last year 2009.

Assets:

- Cash and cash equivalents: There is a significant increase in this balance by PhP51 million or 38% compared to prior year. The main reasons are due to lower capital expenditures during the year and higher revenue and profitability.

- Receivables – Net: This balance increased by PhP15 million (5%) due to higher turnover.

- Due from related parties: This balance fell by PhP2 million as the related parties have settled their obligations to the Corporation before year end.

- Inventories: Inventories increased by PhP2.9 million (28%) compared to the same period of last year. The increase in inventory is mainly in food and general supplies.

- Prepayments and other current assets: There is an increase of 7% in this balance. This is mainly due to the prepaid insurance premium which will be amortized over the years.

- Deferred tax assets: Deferred tax assets comprised of accrual of retirement expenses, foreign exchange difference gain, deferred rental income and provision for impairment losses on receivables. There is an increase of PhP2.29 million (36%) relative to the same period of last year. This is attributed to the higher accrual of retirement expenses by PhP1.5 million.

- Property and equipment – net: There is a decrease in this balance by PhP39 million which is due to the depreciation charge for the year.

Liabilities and Equity:

- Due to related parties: There is a significant reduction in this balance by PhP12 million (60%) versus last year same period as the Corporation has settled its obligations with other related parties during the year.

- Other current liabilities: This balance increased by PhP63 million due to higher volume of business for this year and also higher VAT payable. In addition for year 2010, there is a dividend payable of PhP54.6 million which will be paid in January 2011.

- Refundable deposits: Refundable deposits fell by PhP6 million as compared to the same period of last year because of refunding a tenant their deposit during the year.

- Accrued retirement liability: There is an increase in PhP3 million for the year and this is due to the provision made for retirement benefit for year 2010.

- Treasury shares: Treasury shares increased by PhP129 million as during the year, the Corporation has completed a share buyback exercise at PhP50 per share and 1 share for every 25 shares.

2009 Financial Conditions

Total assets for the year 2009 increased by PhP16 million or 1% as compared to the last period of review. While total liabilities increased by PhP11 million or 3% as compared to end of last year 2008.

Assets:

- Cash and cash equivalents: There is a significant increase in this balance by PhP45 million or 25% compared to prior year. The main reasons are due to lower capital expenditures during the year and no payment of cash dividends.

- Receivables net: There is an increase of PhP17.6 million or 7% relative to the end of last period. The increase is mainly due to higher receivables from a major tenant.

- Due from related parties: There is an increase in this balance by PhP4.6 million as compared to the previous year and the reason is due to the fact that related parties have not settled for outstanding amount.

- Prepayment and other current assets: As compared to end of last year, the balance decrease by PhP8.2 million or 36% which is due to the amortization of prepaid insurance expense on the Surety Bond.

- Property and equipment net: There is a fall of PhP32.6 million in property and equipment which is due to depreciation for the year and also disposal of fixed assets during the year.

- Other assets: This balance decreased by about PhP10 million relative to end of last year. This is mainly attributed to the PhP10.6 million of prepaid rental recorded in year 2008. It has been amortized in year 2009.

Liabilities and Equity:

- Accounts payable and accrued expenses: This balance fell by PhP11.7 million or 16% compared to end of last year. This is mainly due to lower trade payable which is a result of lesser business this year.

- Income tax payable: This balance decreased by about PhP2.7 million mainly due to lower profit and tax rate has reduced from 35% in year 2008 to 30% in year 2009.

- Due to related parties: As compared to last year, this balance increased by PhP8.6 million or 77%. The increment is mainly due to the unpaid bills to a related company in Singapore as at year end.

- Other current liabilities: There is an increase of PhP14.8 million or 8% relative to end of last year. The increase is attributed to the higher output VAT payable.

- Refundable deposits: The increase of PhP2.4 million in this balance is attributed to the deposit given by a new tenant for the Chinese restaurant.

- Treasury stock: Treasury stock increased by PhP134 million or 13% due to the share buyback exercise in year 2009. During the year 2009, the Company conducted a share buyback exercise in which it purchased back 1 share for every 25 shares held by each shareholder at the price of PhP50 per share. The total amount paid out to shareholders is about PhP134 million.

Risks

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

ITEM 7. FINANCIAL STATEMENTS

Please see attachments.

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

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

PART III – CONTROL AND COMPENSATION INFORMATION

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

NAME	OFFICE	CITIZENSHIP	FAMILY RELATION (*)	AGE
Wong Hong Ren	Chairman & President	Singaporean	No relation	60
Bryan Cockrell	Director	American	No relation	64
Eddie C. T. Lau	Director	Chinese	No relation	56
Michele Dee Santos	Director	Filipino	No relation	44
Angelito Imperio	Independent Director	Filipino	No relation	72
Mia Gentugaya	Independent Director	Filipino	No relation	60
Eddie Yeo Ban Heng	Director / Vice-President / Assistant Compliance Officer / General Manager of The Heritage Hotel Manila	Malaysian	No relation	64
Yam Kit Sung	General Manager of the Company / Chief Finance Officer / Compliance Officer / Chief Audit Executive	Singaporean	No relation	41
Alex Cheong	Executive Chef	Malaysian	No relation	37
Maria Christina J. Macasaet-Acaban	Corporate Secretary	Filipino	No relation	38
Alain Charles J. Veloso	Assistant Corporate Secretary	Filipino	No relation	31
Arlene De Guzman	Treasurer	Filipino	No relation	51

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

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

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

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

a) Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two year prior to that time;
b) Conviction by final judgment in a criminal proceeding;
c) Being subject to any order, judgment or decree limiting such person's involvement in any type of business, securities, commodities or banking activities; and
d) Being found by domestic or foreign court of competent jurisdiction in a civil action to have violated any securities or commodities law.

Business Experience:

WONG HONG REN
CHAIRMAN & PRESIDENT

Mr Wong Hong Ren was first elected Director and Chairman of the Board of Directors in May 1996. He was also an executive director of Millennium & Copthorne Hotels plc, a public listed company on the London Stock Exchange since April 2001. Mr Wong was appointed Chief Executive Officer of Millennium & Copthorne Hotels plc on 27 June 2011. He is also Chairman of Millennium & Copthorne New Zealand Limited and CDL Investments New Zealand Limited, both of which are listed on the New Zealand stock exchange. He is also the non-executive Chairman of M&C REIT Management Limited which manages the Singapore listed CDL Hospitality Trusts.

BRYAN K. COCKRELL
DIRECTOR

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

ANGELITO C. IMPERIO
INDEPENDENT DIRECTOR

Atty. Imperio has been a Director of the Company continuously since August 1992 and during that span of time, he served as independent Director from 2001 to 2004, and again from 2008 up to the present. He completed his legal education at the University of the Philippines (LL.B.) and was admitted to the bar in 1966. He was a senior partner of the law firm SyCip Salazar Hernandez & Gatmaitan until his retirement in October 2004. At present, his professional work is limited to outside counseling, particularly on estate planning, and serving as an official Appellate Court Mediator of civil cases pending in the Court of Appeals.

MIA G. GENTUGAYA
INDEPENDENT DIRECTOR

Atty. Gentugaya is a senior partner of SyCip Salazar Hernandez & Gatmaitan, and heads their Banking, Finance and Securities Group. She has been a Director of the Company since August 1992 and served as independent director since 2005. She was admitted to the Philippine Bar in 1978 after completing her legal education at the University of the Philippines (LL.B.). Ms. Gentugaya practices corporate and commercial law, and has been named by Global Chambers and Who's Who Legal as one of the world's leading lawyers in commercial law and aviation finance. She is a member of the Philippine Bar Association, and the Makati Business Club. She also serves in the Board of Directors and acts as corporate secretary of various companies.

MICHELE DEE-SANTOS
DIRECTOR

Ms. Santos was appointed on 7 February 2006. She obtained a B.A. International Business from Marymount College, New York, U.S.A. She started her career as a Staff Operations Manager of American Express Bank in New York City and at present she holds the position of Special Assistant to the Ratail Banking Group Head of Rizal Commercial Banking Corp. She is currently the Executive Vice President of AY Foundation, President of Sandee Unlimited Inc., Chairperson and President of Luis Miguel Foods, Inc., Treasurer of Mico Equities, Inc. Ms. Dee-Santos also sits on the Board of RCBC Savings Bank, Malayan Insurance Co., Bankers Assurance Corporation., First Nationwide Assurance Corporation, Pan Malayan Express Inc. Aequitas Holdings, Inc. and RCBC Savings Bank She is not a director of any other reporting company

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

Mr. Eddie Yeo is appointed as a Director and General Manager of The Heritage Hotel Manila on 13 January 2005. Prior to his current position, he was the General Manager of Copthorne Kings Hotel Singapore from January 1999 to 2004. He has more than 30 years experience in managing and developing hotel projects in Singapore, Malaysia, Thailand, Australia, USA and Vietnam. He holds a Master of Business Administration from the University of South Australia, is a Certified Hotel Administrator (CHA) from the Educational Institute of the American Hotel & Motel Association, Michigan, USA and a Member of the Chartered Management Institute, UK.

EDDIE C.T. LAU
DIRECTOR

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

YAM KIT SUNG
GENERAL MANAGER, CHIEF FINANCE OFFICER, COMPLIANCE OFFICER & CHIEF AUDIT EXECUTIVE

Mr. Yam obtained his Bachelor of Accountancy (Honors) degree from Nanyang Technological University in Singapore. Upon graduation, he joined the international accounting firm, Price Waterhouse based in Singapore as an auditor and later joined CDL Hotels International Limited as an internal auditor. In 1996, he joined The Heritage Hotel Manila as an Operations Analyst and was appointed General Manager of the Company in April 2000. In June 2006, Mr. Yam was appointed Vice President Finance for HLG Enterprise Limited formerly known as LKN Primefield Limited, a company listed on the Singapore Stock Exchange. He also sits on the Board of several companies in the HLG Enterprise Limited group.

ARLENE DE GUZMAN
TREASURER

Ms. Arlene de Guzman has been the Company's Treasurer since August 1997 and a former director and president of the Company. She graduated with a B.S. Business Economics (cum laude) degree from the University of the Philippines in 1981. She was formerly involved with the National Development Company and Philippine Associated Smelting and Refining Corporation (PASAR) and is currently the Senior Vice President of the Pathfinder Group. She is presently a director and/or officer of the various companies under the Pathfinder Group, Grand Plaza Hotel Group, Seacem Group and the President of a listed company - Southeast Asia Cement Holdings Inc. Other than the foregoing, Ms. de Guzman is not an officer or director of other public companies, listed companies, or companies that are grantees of secondary licenses from the SEC

MARIA CHRISTINA J. MACASAET-ACABAN
CORPORATE SECRETARY

Ms. Macasaet-Acaban is a partner of the law firm of Quisumbing Torres. She joined Quisumbing Torres in 1998 after graduating *cum laude* from the University of the Philippines

College of Law (Ll.B. 1998). She was also a recipient of the Dean's Medal for Academic Excellence and a member of the Order of the Purple Feather, the honors society of the University of the Philippines College of Law. She was admitted to the Philippine Bar in 1999.

Ms. Macasaet-Acaban practices corporate and commercial law, with focus on foreign investments, mergers and acquisitions, outsourcing and corporate compliance. She has represented multinational corporations in Philippine and cross-border transactions, including mergers and acquisitions and government contracts. She advises foreign companies on equity restrictions, investment structures and joint ventures for Philippine business operations.

She serves as corporate secretary and assistant corporate secretary of various private companies. She is not an officer or director of other public companies or companies that are grantees of secondary licenses from the SEC.

ALAIN CHARLES J. VELOSO
ASSISTANT CORPORATE SECRETARY

Mr. Veloso is an associate of the law firm Quisumbing Torres. Mr. Veloso's practices corporate and commercial law, with focus on foreign investments, securities, mergers and acquisitions, energy and natural resources, infrastructure, and outsourcing. He joined Quisumbing Torres in 2006 after graduating class valedictorian and *cum laude* from the University of the Philippines College of Law in 2006. He was also a recipient of the Dean's Medal for Academic Excellence, a member of the Order of the Purple Feather, a Chief Justice Fred Ruiz Castro Academic Scholar, an ACCRA – Violeta C. Drilon Merit Scholar, and a Member of the Pi Gamma Mu Honors Society and the Phi Kappa Phi Honors Society. Mr. Veloso was admitted to the Philippine Bar in 2007 and ranked 10^{th} in the 2006 Philippine Bar exams. Prior to obtaining his law degree, Mr. Veloso obtained his B.S. Accountancy from the University of the Philippines - Tacloban College in 2001, graduating *cum laude*. Mr. Veloso passed the Philippine licensure exam for Certified Public Accountants in 2001. Mr. Veloso also teaches Transportation and Public Utilities Law, Centro Escolar University School of Law and Jurisprudence.

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

Attendance Record

Meeting Attendance of the Company's Board of Directors in 2011:

Date of Board of Directors' meetings	Name of Directors						
	Wong Hong Ren	Bryan Cockrell	Angelito Imperio	Mia Gentugaya	Michele Dee-Santos	Eddie Lau	Eddie Yeo
8 February 2011	Present	Present	Present	Present	Present	Present	Present
28 February 2011	Present	Present	Present	Absent	Present	Present	Present
25 April 2011	Present	Present	Present	Present	Present	Absent	Present
13 May 2011	Present	Absent	Present	Present	Present	Absent	Present
13 May 2011[1] (11:30 a.m.)	Present	Absent	Absent	Present	Absent	Absent	Present
18 July 2011	Present	Present	Present	Present	Absent	Present	Present
24 October 2011	Present	Absent	Present	Absent	Absent	Present	Present
Total	7 our of 7	4 out of 7	6 out of 7	5 out of 7	4 out of 7	4 out of 7	7 out of 7
Percentage of Attendance	100%	57%	85.71%	71.43%	57%	57%	100%

Meeting Attendance of the Company's Audit Committee in 2011:

Date of the Audit Committee meetings	Name of Directors		
	Bryan Cockrell	Mia Gentugaya	Michele Dee-Santos
8 February 2011	Present	Present	Absent
25 April 2011	Present	Present	Present
18 July 2011	Present	Present	Absent
18 October 2011	Present	Present	Absent
Total	4 out of 4	4 out of 4	1 out of 4
Percentage of Attendance	100%	100%	25%

[1] Annual Stockholders' Meeting

Meeting Attendance of the Company's Nomination Committee in 2011:

Date of the Nomination's Committee meetings	Name of Directors				
	Wong Hong Ren	Eddie Lau	Bryan Cockrell	Michele Dee-Santos	Angelito Imperio
28 February 2011	Present	Present	Present	Present	Present
22 March 2011	Absent	Present	Present	Present	Abstained
Total	1 out of 2	2 out of 2	2 out of 2	2 out of 2	1 out of 2
Percentage of Attendance	50%	100%	100%	100%	50%

ITEM 10. EXECUTIVE COMPENSATION

EXECUTIVE AND DIRECTORS COMPENSATION

NAME	POSITION	YEAR	SALARY	BONUS	OTHERS/ DIRECTOR FEES
Wong Hong Ren	Chairman & President	2011			
Eddie Yeo Ban Heng	General Manager of Hotel	2011			
Yam Kit Sung	General Manager of the Company	2011			
Alex Cheong	Executive Chef	2011			
Lawrence Wee	Resident Manager (Resigned 14 Feb 2011)	2011			
Total		2011	11,159,794	2,320,767	5,039,420
Directors		2011			2,387,044
All officers & Directors as a group		2011	11，159,794	2,320,767	7,426,464

The estimated total compensation for officers and directors in year 2012 is as follows:

Salary – PhP12 million
Bonus – PhP2.5 million
Other Fees – PhP8 million

FOR THE LAST 2 FINANCIAL YEARS – 2010 and 2009

NAME	POSITION	YEAR	SALARY	BONUS	OTHERS/ DIRECTOR FEES
Wong Hong Ren	Chairman & President	2010			
Eddie Yeo Ban Heng	General Manager of Hotel	2010			
Yam Kit Sung	General Manager of the Company	2010			
Lawrence Wee	Resident Manager of Hotel	2010			
Alex Cheong	Executive Chef	2010			
Total		2010	18,000,501	619,994	0
Directors		2010			2,110,970
All officers & Directors as a group		2010	18,000,501	619,994	2,110,970

NAME	POSITION	YEAR	SALARY	BONUS	OTHERS/ DIRECTOR FEES
Wong Hong Ren	Chairman & President	2009			
Eddie Yeo Ban Heng	General Manager of Hotel	2009			
Yam Kit Sung	General Manager of the Company	2009			
Lawrence Wee	Resident Manager of Hotel	2009			
Alvin Ng	Executive Chef	2009			
Total		2009	17,384,879	1,397,933	296,570
Directors		2009			2,566,565
All officers & Directors as a group		2009	17,384,879	1,397,933	2,863,135

The compensations of the directors are one-time directors' fees and do not involve any other form of remuneration. There are no arrangements, such as consulting contracts, pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, during the Company's last completed fiscal year, and the ensuing year, for any service provided as director.

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

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

Security Ownership of Management

The following table shows the shareholding beneficially held by the officers of the Company as at 31 December 2011.

TITLE OF CLASS	NAME OF BENEFICIAL OWNER / (CITIZENSHIP)	AMOUNT & NATURE OF BENEFICIAL OWNERSHIP	PERCENT OF CLASS
Common shares	Yam Kit Sung (Singaporean)	2,999 shares beneficial	Less than 1%
Common shares	Eddie Yeo Ban Heng (Malaysian)	1 share beneficial	Less than 1%

The following entities are directly or indirectly the beneficial owners of more than 5% of the Company's voting shares (common) as of 31 December 2011

S/N	NAME OF SHAREHOLDER	CITIZENSHIP	NO. OF SHARES	% OF SHAREHOLDING (EXCLUSIVE OF TREASURY SHARES)
1	The Philippine Fund Limited	Bermuda	32,002,846[2]	53.40%
2	Zatrio Pte. Ltd.	Singapore	19,797,618	33.03%
3	RCBC Trust & Investment	Filipino	6,517,240	10.87%

[2] The Philippine Fund Limited is owned by:

Shareholder's Name	Class of Shares Owned	% Held
1. Hong Leong Hotels Pte. Ltd. P.O. Box 309 Grand Cayman British West Indies, Cayman Islands	Ordinary	60%
2. Pacific Far East (PFE) Holdings Corporation (formerly Istethmar International Corporation) Suite 2705-09, 27Flr, Jardine House 1 Connaught Place, Central, Hong Kong	Ordinary	20%
3. Robina Manila House Limited 8/F Bangkok Bank Building 28 Des Voeux Road, Central Hong Kong	Ordinary	20%

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

ITEM 13. CORPORATE GOVERNANCE

Under the Revised Manual of Corporate Governance of the Company, the Compliance Officer is responsible for monitoring compliance with the provisions and requirements, as well as violations of the Revised Manual of Corporate Governance and the Revised Code of Corporate Governance, and issues a certification regarding the level of compliance of the Company.

The Company complies with the rules, regulations, and issuances issued by government authorities pertaining to corporate governance and is committed to adhering to good corporate governance principles.

Section 7.2 of the Revised Manual of Corporate Governance of the Company provides that the Manual shall be reviewed quarterly unless the Board of Directors provides otherwise. Moreover, the Audit Committee of the Company reports regularly to the board of directors its quarterly review of the financial performance of the Company.

Implementation of the Revised Code of Corporate Governance

In compliance with Article 9 of the Philippine Securities and Exchange Commission Memorandum Circular No. 6, Series of 2009 or the Revised Code of Corporate Governance, the Board of Directors, in a meeting held on 29 October 2009, approved the amendment of the Company's Manual on Corporate Governance. The amendment of the Company's Manual on Corporate Governance was made to establish and implement the Company's corporate governance rules in accordance with the Revised Code of Corporate Governance.

For the year 2011, the Company, its directors, officers and employees substantially complied, and has taken reasonable action towards complying, with the leading practices and principles on good corporate governance as embodied in the Company's Manual on Corporate Governance, and in the Revised Code of Corporate Governance.

Participation in the Annual Corporate Governance Scorecard for Listed Companies

The Company annually participates in the SEC's and the Institute of Corporate Directors' ("ICD") Annual Corporate Governance Scorecard for Listed Companies ("Scorecard") to measure the performance of the Board of Directors and Management of the Company in accordance with the corporate governance best practices provided for in the Scorecard. The Company's overall average score in the Scorecard for 2008, 2009 and 2010 were 68%, 86%, and 79.52% respectively. The Company submitted its Scorecard for the year 2011 with the ICD on 24 November 2011. The Company endeavors to further improve its corporate governance scores.

Compliance with the Corporate Governance Guidelines for Companies Listed on the Philippine Stock Exchange

The Company substantially complied with the Corporate Governance Guidelines for Companies Listed on the Philippine Stock Exchange ("Guidelines"). The Company's compliance report for 2011, in accordance with the Guidelines, will be made available at the Company's website.

Deviations from recommended practices in the Guidelines will not subject the Company to penalties. Below is a summary of the Company's deviations from some of these recommended practices:

a. The Guidelines recommend that listed companies have at least three (3) or thirty percent (30%) of its directors as independent directors. The Company currently has two (2) independent directors, consistent with the requirements of the Revised Code of Corporate Governance.

b. The Guidelines recommend that the Chairman and CEO positions be held separately by individuals who are not related to each other. The Company's Chairman is also the Company's CEO / President.

c. The Guidelines recommend that listed companies have a unit at the management level, headed by a Risk Management Officer ("RMO"). The Company does not have a Risk Management Officer at the management level.

d. The Guidelines recommend that listed companies have at least thirty percent (30%) public float to increase liquidity in the market. The proportion of the Company's outstanding shares that are considered public float is less than thirty percent (30%).

e. The Guidelines recommend disclosure in the annual report of principal risks to minority shareholders associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company. The Company's Annual Report does not include such a discussion.

Audit Committee Report for 2011

Further to the compliance with applicable corporate governance rules and principles, the Audit Committee reports that:

a. During the meeting of the Audit Committee on 8 February 2011, KPMG Manabat Sanagustin & Co., the Company's External Auditor, presented the results of its examinations of the Company's financial statements. Upon review and discussion with Management and KPMG Manabat Sanagustin & Co., the Audit Committee, during that meeting, approved and indorsed to the Board of Directors the Company's financial statements as at and for the year ended 31 December 2010. During its meeting on 8 February 2011, the Board of Directors approved the Company's financial statements as at and for the year ended 31 December 2010.

b. In the meetings of the Audit Committee held on 25 April 2011, 18 July 2011, and 26 October 2010 the Audit Committee reviewed the Company's quarterly and half-year financial statements before their submission for the approval of the Board of Directors.

c. The Audit Committee's review of the Company's financial statements were made in the presence of the Company's External Auditor as well as the Company's Chief Audit Executive, with particular focus on the following matters:

- Any change/s in accounting policies and practices;
- Major judgmental areas;
- Significant adjustments resulting from the audit;
- Going concern assumption;
- Compliance with accounting standards; and
- Compliance with tax, legal, and regulatory requirements.

During the period 9th to 20th January 2012, the Group Internal Auditors conducted an internal audit review of the Company for the year 2011. The formal audit report will be released later in February 2012. However, based on initial discussion with the Group Internal Auditors, there were no significant issues raised.

Corporate Social Responsibility ("CSR") Report for 2011

Creating a positive impact in the lives of its key stakeholders in order to build and sustain the momentum towards a sustainable future is at the heart of The Heritage Hotel Manila's business operations.

Driven by the revitalized investors' confidence in the changing of the guards at the highest echelons of the Philippine government's executive office, the Heritage Hotel further spreads optimism and acts as a catalyst for making a difference in the quality of life of its stakeholders and in a broader perspective, a brighter future for the Philippines.

Development Opportunities for Employees

Winning Moves

The Heritage Hotel encourages, mentors and coaches its staff to participate in internal and external competitions for service excellence and development of skills & expertise.

The cream of the crop among frontliners and operations personnel are commended on a monthly basis as Model employee and supervisor for their extraordinary contributions in providing seamless and extraordinary experiences for the Hotel guests.

The monthly recognition of the outstanding employee and supervisor raises the bar of the standard of excellence for all the Heritage Hotel staff to emulate. Each awardee goes through a stringent process of selection during the deliberation among the Hotel's heads of departments and executive committee.

The chosen model employee and supervisor of the month are given a boost of confidence as each one renders an inspirational speech in the presence of the Hotel executives and staff during the monthly Tea Party. Each monthly winner attains a certificate of merit, cash prize and a chance to vie for the prestigious Model employee and supervisor of the year. Subsequently, the annual staff awardees become the official representatives of the Hotel to the celebrated Mabuhay Awards, the program of the Association of the Human Resources Managers (AHRM) in the hospitality industry, giving recognition to outstanding rank & file employees, supervisors and managers from its member establishments.

The Heritage Hotel Cuisine Team bagged 5 Gold medals and 2 Bronze in the prestigious Philippine Culinary Cup 2011 held last August 3-6, 2011 during the 11th Exposition of Worldwide Food & Beverage, Technologies & Machineries & World Food Expo (WOFEX 2011) at the SMX Convention Centre, MOA Complex. This culinary competition was participated by 18 Hotels and restaurants from six countries namely Singapore, Malaysia, Vietnam, Koera, Macau and the Philippines.

Training for Enhanced Job Performance

In light of equipping its staff with the know-how to meet and exceed departmental deliverables for service excellence, the Heritage Hotel trained its middle managers to enhance their leadership skills and development, adeptness for effective supervision and team management. The Hotel also educated the mix of rank and file and supervisors for computer literacy and proficiency.

The Human Resources Division rolled out a series of seminar-workshops on leading, organizing & supervising; planning & controlling; staffing & training; activating the workforce; managing problem performance; improving department productivity and personnel management & development. On the other hand, the Information Technology department conducted basic modules on computer software programs and the Opera system.

Sound Body, Sound Mind

To balance the fast-paced work environment and the demands for peak performance to deliver optimum service to discerning guests, the Heritage Hotel nurtures the health and well-being of its employees. On its second year, the Human Resources Division implemented the Health and Wellness program dubbed as "Yes We Care!" for employees and their dependents to gain access to medical consultations and assistance from a pediatrician, ophthalmologist, primary care, OB GYNE, dermatologist and other specialists. In addition, the health fair allotted facilities for vaccination and seminars on wellness. During the summer, the Hotel organizes an annual Inter-department sports fest for basketball and badminton. This activity aims to incorporate an active standard of living among the staff, foster camaraderie and teamwork among various departments. As a further commitment to cultivating a healthy lifestyle and providing an avenue for stress management, the Hotel has transformed its Vinluan Room to an Activity Center wherein employees enjoy a variety of sports activities such as darts, table tennis and board games.

Disaster Preparedness

To ensure the safety and security of Hotel guests, personnel and property, the Heritage Hotel continued to demonstrate its 100% preparedness to respond appropriately to emergencies during its Annual Simulation and Fire Drill Exercise. The Hotel's crisis management team with the participation of the Pasay City Fire Station enacted the step-by-step pro-active response to emergency situations. Furthermore, the demonstration highlighted the effectiveness of the Hotel's newly upgraded fire alarm and detection system. In preparation for the fire drill and any eventualities, the Engineering and Human Resources Division orchestrated a series of coordination meetings and First Aid Training & Basic Life Support Workshops.

Reduction of Environmental Footprints

In view of raising awareness on adopting measures to reduce humanity's carbon footprints that would help curb global warming and climate change, the Heritage Hotel Manila has participated in international information drives for environmental advocacy.

For the third year in a row, The Heritage Hotel Manila's management team and staff took part in the switching off the lights program for the Earth Hour. Darkness shrouded the Hotel's façade, front office; Lobby Lounge, Riviera Café and rooms as the Hotel team and guests volunteered to shed the spotlight on the urgent call for the international community to mobilize action against global warming and climate change. As a sign of "Bayanihan" spirit with the global community, the Heritage Hotel's Earth Hour drive was accounted amongst various establishments across the Philippines as part of the country's record-breaking feat of 15 Million volunteers in 1,076 participating towns and cities for the 60-minute lights switch off campaign. Likewise, the Heritage Hotel showed its solidarity with the worldwide celebration of Earth Day in the course of its participation in the 5K and 10K run together with around 5,000 participants in the 1st National Geographic Earth Run at the SM Mall of Asia (MOA) grounds to raise awareness on the need to mitigate the effects of global warming and raise funds for the benefit of Design Against the Elements (DATE), a global architectural design contest that aims to provide a solution to the problems presented by climate change as experienced in the Philippines during the unprecedented flooding in 80% of Metro Manila brought by super typhoon Ketsana (Ondoy).

Community Involvement

Fund-raising Campaigns

Woven in the fabric of the Heritage Hotel's activities are its initiatives to address the root cause of poverty through its fund-raising campaigns that aimed to benefit the well-being and education of neglected sectors in the society particularly the orphans, abandoned and street children.

The Heritage Hotel has set-up a fund drive through its wishing well as it celebrated two significant occasions on the calendar: the auspicious Chinese New Year and festive Yuletide season. Respectively, the beneficiaries were Our Lady of Sorrows Foundation, a non-government organization reaching out to poor and underprivileged children in the Pasay city community and Asilo de San Vicente de Paul (ASVP), one of the oldest orphanages in the Philippines, in operations for 125 years and focused on the uplifting the state of poor and needy children and the youth through provisions for basic needs, education, social support and spiritual development.

Reading Advocacy

On the other hand, the Heritage Hotel has a soft spot for shaping a better future for the youth through the development of positive learning habits. The Heritage Hotel integrated its reading advocacy program for children during Easter and Holiday festivities, to expose the young ones to the joys of reading as an essential tool for gaining knowledge and mental development.

Bridging International Relations

The Heritage Hotel Manila served as a preferred venue of Southeast Asian diplomatic corps for promoting the peace process throughout the region and building strong trade and economic ties among its neighboring countries.

Corporate Social Responsibility (CSR) has been an integral part of the Company's vision and mission. Founded on this commitment, we take into consideration the interests of society on key stakeholders such as our investors, customers, employees, contractors and suppliers as well as the community.

We believe in conducting our business responsibly, mindful of the impact our operations have on society so as to build an enduring and sustainable organization. We continually seek ways to ensure a better quality of life for the community and environment where we live, work and play.

Our Commitment to Stakeholders:
As a responsible corporation, it is our goal to be transparent and accountable to our stakeholders who have an interest in our operations.

Our Customers:
To offer quality and innovative products, unsurpassed service and value for money.

Our Investors:
To maintain profitability and achieve optimum returns on their investments.

Our Employees:

To maximize their potential and care for their personal well-being and career development.

Our Contractors and Suppliers:
To select based on quality of work and their ability to complement our commitment to environment, health and safety.

The Community:
To serve the community we operate in so as to create a better place for all, especially caring for the less fortunate, enhancing youth development, promoting the arts and conserving the environment.

The Corporation does not have an employee stock option plan. However, the employees are given annual merit based cash bonus based on the Corporation financial performance and also the individual staff's performance.

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

Exhibits

None

Reports on SEC Form 17-C

The following events were reported in SEC Form 17-C during the period January 2011 to December 2011:

Date of SEC Form 17-C	**Summary of the matter disclosed**
6 January 2011	Resolution of the Court of Tax Appeals ("CTA") of the Corporation's Motion to Lift Warrant of Garnishment and To Discharge Surety Bond
26 January 2011	Certification on the Corporation's compliance with its Manual on Corporate Governance.
26 January 2011	Certification on the attendance record of the Corporation's Board of Directors' meetings held from 1 January 2010 to 31 December 2010
8 February 2011	Decision of the Supreme Court ("SC") on the Corporation's Petition for Review on Certiorari of the Decision of the Court of Appeals ("CA") dated 30 May 2005 and Resolution dated 4 June 2007
8 February 2011	Resignation of Mr. Lawrence Wee as the Resident

	Manager of The Heritage Hotel Manila
8 February 2011	Date of 2011 Annual Stockholders' Meeting ("ASM") and Approval of Record Date for the ASM
23 February 2011	Decision of the CTA on the Corporation's Petition for Review of the Final Decision on Disputed Assessment filed by the Coproration against the Commissioner of Internal Revenue on 11 June 2008 and docketed as CTA Case No. 7794 ("Petition for Review"), and Supplement to the Petition for Review filed on 20 October 2008
13 May 2011	Board of Directors' approval of the proposal for the purchase by the Corporation of part of its shares from its stockholders of record as of 13 June 2011.
13 May 2011	Election of the members of the Board of Directors, re-appointment of the Corporation's External Auditor by the stockholders.
25 May 2011	Timetable of the Corporation's offer to purchase ("Buyback Offer") a portion of its outstanding shares from its stockholders as of 13 June 2011; Appointment of AB Capital Securities, Inc., as the transacting broker for the Buyback Offer; Copies of the documents that will be distributed in connection with the Buyback Offer.
1 June 2011	Decision of the CTA on the Commissioner of Internal Revenue's Motion for Reconsideration filed on 9 March 2011 seeking the reversal of the CTA's decision rendered on 18 February 2011
23 June 2011	Resolution of the CTA on the Corporation's Urgent Motion to Resolve the Corporation's Motion to Discharge Surety Bond filed on 1 June 2011 ("Motion") ("CTA Resolution")
29 June 2011	Report on the result of the Corporation's Buyback Offer, i.e., list of stockholders who tendered shares under the Buyback Offer and the number of shares tendered by each stockholder.
4 July 2011	Resolution of the Supreme Court ("SC") dated 30 May 2011 on the Corporation's motion for reconsideration of the decision of the SC dated 12 January 2011 on the Corporation's Petition for Review on Certiorari of the Decision of the Court of Appeals ("CA") dated 30 May

	2005 and Resolution dated 4 June 2007
18 July 2011	Election of the Corporation’s officers by members of the Board of Directors.
11 July 2011	Report on the completion of the Corporation’s Buyback Offer, i.e., the number of shares that were purchased by the Corporation from the stockholders who tendered their shares as of 29 June 2011.

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Taguig City on FEB 0 8 2012 20__.

By:

Wong Hong Ren
Chairman & President

Yam Kit Sung
General Manager/
Vice President Finance

Maria Christina Macasaet-Acaban
Corporate Secretary

SUBSCRIBED AND SWORN to before me this FEB 0 8 2012 day of 2012__ affiant(s) exhibiting to me their Community Tax Certificates/Passports, as follows:

Names	CTC/Passport No.	Date of Issue	Place of Issue
Christina Macasaet-Acaban	CTC No. 01482367 Passport No. XX2019184	24 January 2012 12 September 2008	Manila Manila

Maria [illegible] Dineros
Notary Public
Notary Public, Taguig City
Appointment No. 200, Until 31 December 2012
12th Floor, Net One Center, 26th St., cor. 3rd Avenue
Crescent Park West Bonifacio Global City, Taguig
Roll of Attorney No. 52396
MCLE Compliance No. III – 0013776
PTR No. 1452042-A / 01-06-2012 / Taguig City
Lifetime IBP No. 09473 / 01-05-2011 / RSM

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Page No. 87
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GRAND PLAZA HOTEL CORPORATION

3 February 2012

Statement of Management's Responsibility For Financial Statements

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
City of Mandaluyong

The management of **GRAND PLAZA HOTEL CORPORATION** is responsible for all information and representations contained in the financial statements as of and for the years ended December 31, 2011, 2010 and 2009. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the Company's audit committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the Company.

KPMG Manabat Sanagustin & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the Company in accordance with generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors and Stockholders.

10 Floor, The Heritage Hotel Manila, Roxas Blvd cor. EDSA Extension Pasay City
Tel: 854 8838 Fax: 854 8825
A MEMBER OF THE HONG LEONG GROUP SINGAPORE

____
Wong Hong Ren
Chairman and President

____
Yam Kit Sung
General Manager & Chief Financial Officer

Subscribed and sworn to before me a notary public for and in the City of _________ this _____ day of ___________ 2012, the signatories exhibiting to me their Community Tax Certificates/Passports details of which are as follows:

Name	Community Tax Certificate/ Passport Number	Date	Place of Issue
Wong Hong Ren			
Yam Kit Sung			

Notary Public

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Page No.
Book No.
Series of 2012.

Eddie Yeo Ban Heng
Director & Vice President

Subscribed and sworn to before me a notary public for and in the City of Taguig City this FEB 08 2012 day of ____________ 2012, the signatories exhibiting to me their Community Tax Certificates/Passports details of which are as follows:

Name	Community Tax Certificate/ Passport Number	Date	Place of Issue
Eddie Yeo Ban Heng	A24603263	8 July 2011	High Commission of Malaysia, Singapore

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Maria Rica N. Mutuc-Dineros
Notary Public
Notary Public, Taguig City
Appointment No. 200, Until 31 December 2012
12th Floor, Net One Center, 26th St., cor. 3rd Avenue
Crescent Park West Bonifacio Global City, Taguig
Roll of Attorney No. 52396
MCLE Compliance No. III – 0013776
PTR No. 1452042-A / 01-06-2012 / Taguig City
Lifetime IBP No. 09473 / 01-05-2011 / RSM

FOREIGN SERVICE OF THE REPUBLIC OF THE PHILIPPINES

EMBASSY [illegible] HE PHILIPPINES)
C[illegible]r Section) S.S.
[illegible]apore)

CERTIFICATE OF AUTHENTICATION

I, ***C[illegible]INE ROSE G. TORRES, Consul*** of the Republic of the Phili[illegible]he[illegible] Singapore, duly commissioned and qualified, do hereby certify that

~~WILSON YIP~~

before w[illegible]m [illegible] annexed instrument has been executed to wit:

STAT[illegible]EN[illegible]OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STAT[illegible]EN[illegible]

was at t[illegible]ime [illegible]/she signed the same A Notary Public in Singapore and that his/her s[illegible]atu[illegible]ffixed thereto is genuine.

The Em[illegible]sy a[illegible]mes no responsibility for the contents of the annexed document.

IN WITN[illegible]S HE[illegible]OF, I have hereunto set my hand and affixed the seal of the Embassy of the Phili[illegible]nes a[illegible]ngapore, this ____________ day of 16-Feb-12

CATHERINE ROSE G. TORRES
Consul

Service [illegible] 21983
Fee Paid [illegible] $42.50

GRAND PLAZA HOTEL CORPORATION

3 February 2012

Statement of Management's Responsibility For Financial Statements

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
City of Mandaluyong

The management of **GRAND PLAZA HOTEL CORPORATION** is responsible for all information and representations contained in the financial statements as of and for the years ended December 31, 2011, 2010 and 2009. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the Company's audit committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the Company.

KPMG Manabat Sanagustin & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the Company in accordance with generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors and Stockholders.

10 Floor, The Heritage Hotel Manila, Roxas Blvd cor. EDSA Extension Pasay City
Tel: 854 8838 Fax: 854 8825
A MEMBER OF THE HONG LEONG GROUP SINGAPORE

Wong Hong Ren
Chairman and President

~~Yam Kit Sung~~
~~General Manager & Chief Financial Officer~~

Subscribed and sworn to before me a notary public for and in the City of Singapore this 15th day of February 2012, the signatories exhibiting to me their Community Tax Certificates/Passports details of which are as follows:

Name	~~Community Tax Certificate~~/ Passport Number	Date	Place of Issue
Wong Hong Ren	E1802233F	30 APRIL 2010	Singapore
~~Yam Kit Sung~~			

Notary Public

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Series of 2012.

NOTARY PUBLIC
Wilson Yip
N2011/0328
1 Apr 2011 - 31 Mar 2012
SINGAPORE

FOREIGN SERVICE OF THE
REPUBLIC OF THE PHILIPPINES

EMBASSY OF [illegible] PHILIPPINES)
Consul[illegible]ction) S.S.
Sin[illegible]e)

CERTIFICATE OF AUTHENTICATION

I, ***CATHE[illegible]ROSE G. TORRES, Consul*** of the Republic of the Philippine[illegible]gapore, duly commissioned and qualified, do hereby certify that

WILSON YIP

before whom t[illegible]exed instrument has been executed to wit:

ANNUAL R[illegible] PURSUANT TO SECTION 17 OF THE SECURITIES REGULATI[illegible]E AND SECTION 141 OF THE CORPORATION CODE OF THE PH[illegible]ES

was at the tim[illegible] signed the same A Notary Public in Singapore and that his/her signatu[illegible]ed thereto is genuine.

The Embassy [illegible]s no responsibility for the contents of the annexed document.

IN WITNESS H[illegible] have hereunto set my hand and affixed the seal of the Embassy of the Philippines [illegible]pore, this ____________ day of 16-Feb-12

CATHERINE ROSE G. TORRES
Consul

Service No: -2[illegible]4
Fee Paid : $4[illegible]0

NOTARIAL CERTIFICATE

TO ALL TO WHOM THESE PRESENTS SHALL COME

I, **WILSON YIP** Notary Public duly authorised and appointed practising in the Republic of Singapore **DO HEREBY CERTIFY AND ATTEST** that the document **"SEC FORM 17-A – ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES"** hereunto annexed was signed and executed by **WONG HONG REN** holder of Singapore Passport No. E1802233F and the person named and mentioned in the said document for and on behalf of **GRAND PLAZA HOTEL CORPORATION.**

IN FAITH AND TESTIMONY WHEREOF I have hereunto subscribed my name and affixed my seal of office this 15th day of February 2012

NOTARY PUBLIC
Wilson Yip
N2011/0328
1 Apr 2011 - 31 Mar 2012
SINGAPORE

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of SINGAPORE on 15th Feb, 2012.

notary attestation
to Wong Hong Ren only

By:

Wong Hong Ren
Chairman & President

NOTARY PUBLIC
Wilson Yip
N2011/0328
1 Apr 2011 - 31 Mar 2012
SINGAPORE

Yam Kit Sung
General Manager/
Vice President Finance

Maria Christina Macasaet-Acaban
Corporate Secretary

SUBSCRIBED AND SWORN to before me this ____ day of ________ 2012__ affiant(s) exhibiting to me their Community Tax Certificates/Passports, as follows:

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

____
Notary Public

Doc. No.
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Series of 2012.

K[illegible]ULADO PANLAHAT NG PILIPINAS — SHANGHAI — CONSULATE GENERAL OF THE PHILIPPINES

ACKNOWLEDGEMENT

[illegible]ILIPPINE CONSULATE GENERAL)
[illegible]NGHAI) *s.s.*

[illegible]Before me, **CHARLES C. JOSE**, Consul General of the Republic of the [illegible]es, in and for the City of Shanghai, People's Republic of China, duly [illegible]ned and qualified, at Shanghai on this 7th day of February 2012, personally [illegible] **[illegible]AM KIT SUNG**, Singaporean, to me known and known to me to be the s[illegible]n who signed the annexed instrument, **SEC FORM 17-A (Annual R[illegible]uant to Section 17 of the Securities Regulation Code and Section 14[illegible]rporation Code of the Philippines)**, and being informed by me of the con[illegible]aid instrument, acknowledged before me that he executed the same of hi[illegible]ll and deed.

[illegible]tents of the annexed instrument, the Consulate General of the Philipp[illegible]no responsibility.

T[illegible]n[illegible]rument, which, together with this Acknowledgement, and its enclosure[illegible]o[illegible]ges is composed of number forty-five (45) pages.

IN W[illegible]SS[illegible]EREOF, I have hereunto set my hand on these presents and affixed [illegible]n[illegible]al of the Philippine Consulate General at Shanghai, People's Rep[illegible]f C[illegible]n this 7th day of February 2012.

Charles C. Jose

CHARLES C. JOSE
Consul General

Annexed document, SEC Form 17-A, signed by Yam Kit Sung who presented his Singapore Passport No. S7023301J issued on 16 September 2002 in Singapore.

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Service No.	:	222
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Book No.	:	1
Series of	:	2012
Fee Paid	:	¥250.00
O.R. No.	:	5566397

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of ______________________ on __________, 20__.

By:

Wong Hong Ren
Chairman & President

Yam Kit Sung
General Manager/
Vice President Finance

7 Feb 2012

Maria Christina Macasaet-Acaban
Corporate Secretary

SUBSCRIBED AND SWORN to before me this ____ day of ________ 2012__ affiant(s) exhibiting to me their Community Tax Certificates/Passports, as follows:

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

Notary Public

Doc. No.
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Series of 2012.

GRAND PLAZA HOTEL CORPORATION

3 February 2012

Statement of Management's Responsibility For Financial Statements

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
City of Mandaluyong

The management of **GRAND PLAZA HOTEL CORPORATION** is responsible for all information and representations contained in the financial statements as of and for the years ended December 31, 2011, 2010 and 2009. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the Company's audit committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the Company.

KPMG Manabat Sanagustin & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the Company in accordance with generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors and Stockholders.

10 Floor, The Heritage Hotel Manila, Roxas Blvd cor. EDSA Extension Pasay City
Tel: 854 8838 Fax: 854 8825
A MEMBER OF THE HONG LEONG GROUP SINGAPORE

7Feb2012

Wong Hong Ren
Chairman and President

Yam Kit Sung
General Manager & Chief Financial Officer

Subscribed and sworn to before me a notary public for and in the City of _________ this ______ day of ___________ 2012, the signatories exhibiting to me their Community Tax Certificates/Passports details of which are as follows:

Name	Community Tax Certificate/ Passport Number	Date	Place of Issue
Wong Hong Ren			
Yam Kit Sung	7Feb2012		

Notary Public

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Series of 2012.

Republic of the Philippines
Securities and Exchange Commission
EDSA, Greenhills, Mandaluyong
Metro-Manila

S.E.C. Reg. No. 166818

TO ALL TO WHOM THESE PRESENTS MAY COME, GREETINGS:

WHEREAS, Articles of Incorporation and By-Laws duly signed and acknowledged for organization of the

GRAND PLAZA HOTEL CORPORATION

in accordance with the provisions of the Corporation Code of the Philippines, Batasang Pambansa Blg. 68, approved on May 1, 1980, were presented for filing in this Commission on June 26, 1989, and a copy of said Articles and By-Laws hereto attached;

NOW THEREFORE, by virtue of the powers and duties vested in me by law, I hereby certify that the said Articles of Incorporation and By-Laws were, after due examination to determine whether they are in accordance with law, duly registered in this Commission on the 9th day of August, Anno Domini, Nineteen Hundred and Eighty-nine.

IN TESTIMONY WHEREOF, I have hereunto set my hand and caused the seal of this Commission to be affixed at Mandaluyong, Metro-Manila, Philippines, this 9th day of August, in the year of our Lord nineteen hundred and eighty-nine.

RODOLFO L. SAMARISTA
Associate Commissioner

SN № 10635

ORIGINAL

FORM NO. G 4001 B

96

THIS PASSPORT IS VALID FOR ALL COU[...]
EXCEPT THE FOLLOWING:

This passport contains 96 pages

REPUBLIC OF SINGAPORE

S7023301J

TYPE PA
COUNTRY CODE SGP
PASSPORT No S7023301J

NAME
YAM KIT SUNG

SEX M
NATIONALITY SINGAPORE CITIZEN

DATE OF BIRTH 03 JUL 1970
PLACE OF BIRTH SINGAPORE

DATE OF ISSUE 16 SEP 2002
DATE OF EXPIRY 24 APR 2013

MODIFICATIONS SEE PAGE 94
AUTHORITY SINGAPORE IMMIGRATION & REGISTRATION

PASGPYAM<<KIT<SUNG<<<<<<<<<<<<<<<<<<<<<<<<<<<<<

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GRAND PLAZA HOTEL CORPORATION

FINANCIAL STATEMENTS
December 31, 2011, 2010 and 2009

PRC-BOA Registration No. 0003, Group A, valid until December 31, 2013
SEC Accreditation No. 0004-FR-3, Group A, valid until November 22, 2014
IC Accreditation No. F-0040-R, Group A, valid until September 11, 2014
BSP Accredited, Group A, valid until December 17, 2014

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Stockholders
Grand Plaza Hotel Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Grand Plaza Hotel Corporation, which comprise the statements of financial position as at December 31, 2011 and 2010, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the years in the three-year period ended December 31, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Grand Plaza Hotel Corporation as at December 31, 2011 and 2010, and its financial performance and its cash flows for each of the years in the three-year period ended December 31, 2011 in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010 and RR No.19-2011 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 27 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Manabat Sanagustin & Co.

February 3, 2012
Makati City, Metro Manila

KPMG

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REPORT OF INDEPENDENT AUDITORS

Board of Directors and Stockholders
Grand Plaza Hotel Corporation
10th Floor, The Heritage Hotel Manila
EDSA corner Roxas Boulevard
Pasay City

Report on the Financial Statements

We have audited the accompanying financial statements of Grand Plaza Hotel Corporation, which comprise the statements of financial position as at December 31, 2011 and 2010, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the years in the three-year period ended December 31, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Grand Plaza Hotel Corporation as at December 31, 2011 and 2010, and its financial performance and its cash flows for each of the years in the three-year period ended December 31, 2011 in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010 and RR No.19-2011 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 27 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

MANABAT SANAGUSTIN & CO., CPAs

JIMMY S. QUIÑONES
Partner
CPA License No. 0085650
SEC Accreditation No. 0679-AR-1, Group A, valid until March 30, 2014
Tax Identification No. 112-072-024
BIR Accreditation No. 08-001987-17-2011
Issued February 4, 2011; valid until February 3, 2014
PTR No. 3174025MA
Issued January 2, 2012 at Makati City

February 3, 2012
Makati City, Metro Manila

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**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE
BUREAU OF INTERNAL REVENUE**

Board of Directors and Stockholders
Grand Plaza Hotel Corporation
10th Floor, The Heritage Hotel Manila
EDSA corner Roxas Boulevard
Pasay City

We have audited the accompanying financial statements of Grand Plaza Hotel Corporation as at and for the year ended December 31, 2011, on which we have rendered our report thereon dated February 3, 2012.

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

MANABAT SANAGUSTIN & CO., CPAs

JIMMY S. QUIÑONES
Partner
CPA License No. 0085650
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February 3, 2012
Makati City, Metro Manila

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2011	2010
ASSETS			
Current Assets			
Cash and cash equivalents	*4, 25*	**P354,346,636**	P183,280,486
Receivables - net	*5, 14, 25*	**289,457,654**	283,108,037
Loan receivable	*9, 14, 25*	**15,500,000**	15,500,000
Due from related parties	*14, 25*	**3,104,245**	2,209,240
Inventories	*6*	**12,590,052**	13,351,592
Prepayments and other current assets	*7*	**13,556,076**	15,800,484
Total Current Assets		**688,554,663**	513,249,839
Noncurrent Assets			
Property and equipment - net	*10*	**696,497,186**	720,721,562
Investment in an associate	*8, 14*	**47,400,841**	47,092,974
Deferred tax assets - net	*21*	**10,082,610**	8,652,374
Other noncurrent assets	*11, 14, 19, 25*	**84,095,791**	177,879,574
Total Noncurrent Assets		**838,076,428**	954,346,484
		P1,526,631,091	P1,467,596,323
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*12, 25*	**P83,754,423**	P60,679,415
Income tax payable		**19,901,903**	16,136,215
Due to related parties	*14, 19, 25*	**19,329,331**	7,917,095
Other current liabilities	*13, 25*	**215,947,873**	256,514,681
Total Current Liabilities		**338,933,530**	341,247,406
Noncurrent Liabilities			
Accrued retirement liability	*20*	**30,731,001**	27,315,427
Refundable deposits	*19*	**27,655,055**	22,031,611
Total Noncurrent Liabilities		**58,386,056**	49,347,038
		397,319,586	390,594,444
Equity			
Capital stock		**873,182,700**	873,182,700
Additional paid-in capital		**14,657,517**	14,657,517
Retained earnings:			
Appropriated	*22*	**1,369,513,270**	1,245,759,170
Unappropriated	*24*	**241,471,288**	189,161,662
Treasury stock	*23*	**(1,369,513,270)**	(1,245,759,170)
Total Equity		**1,129,311,505**	1,077,001,879
		P1,526,631,091	P1,467,596,323

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2011**	2010	2009
REVENUES				
Rooms		**P367,797,598**	P361,588,294	P329,614,729
Food and beverage		**203,305,340**	192,168,744	192,402,411
Other operating departments		**10,827,511**	10,661,422	4,247,054
Others	*19*	**136,897,660**	115,430,745	105,479,093
		718,828,109	679,849,205	631,743,287
COST OF SALES	*15*			
Food and beverage		**61,942,665**	56,930,297	56,926,411
Other operating departments		**3,845,761**	4,435,307	1,202,042
		65,788,426	61,365,604	58,128,453
GROSS PROFIT		**653,039,683**	618,483,601	573,614,834
SELLING EXPENSES	*16*	**213,676,025**	195,813,491	189,870,220
ADMINISTRATIVE EXPENSES	*17*	**196,887,450**	187,005,045	191,281,131
		410,563,475	382,818,536	381,151,351
NET OPERATING INCOME		**242,476,208**	235,665,065	192,463,483
OTHER INCOME (EXPENSES)				
Interest income	*9, 14*	**9,114,225**	9,600,032	7,817,319
Foreign exchange loss		**(2,087,781)**	(1,977,790)	(2,169,120)
Equity in net income of an associate	*8*	**307,867**	291,561	126,937
Others		**213,835**	2,571,609	74,975
		7,548,146	10,485,412	5,850,111
INCOME BEFORE INCOME TAX		**250,024,354**	246,150,477	198,313,594
INCOME TAX EXPENSE	*21*	**73,960,628**	72,597,787	59,996,319
NET INCOME/TOTAL COMPREHENSIVE INCOME		**P176,063,726**	P173,552,690	P138,317,275
Basic and Diluted Earnings Per Share	*18*	**P2.89**	P2.74	P2.10

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	**2011**	2010	2009
CAPITAL STOCK				
Common stock - P10 par value				
Authorized - 115,000,000 shares				
Issued - 87,318,270 shares		**P873,182,700**	P873,182,700	P873,182,700
ADDITIONAL PAID-IN CAPITAL		**14,657,517**	14,657,517	14,657,517
RETAINED EARNINGS				
Appropriation for acquisition of treasury stock				
Balance at beginning of year		**1,245,759,170**	1,116,857,170	982,663,220
Additions during the year	*22*	**123,754,100**	128,902,000	134,193,950
Balance at end of year		**1,369,513,270**	1,245,759,170	1,116,857,170
Unappropriated				
Balance at beginning of year		**189,161,662**	206,913,564	202,790,239
Net income for the year		**176,063,726**	173,552,690	138,317,275
Appropriation during the year	*22*	**(123,754,100)**	(128,902,000)	(134,193,950)
Dividends declared during the year	*24*	**-**	(62,402,592)	-
Balance at end of year		**241,471,288**	189,161,662	206,913,564
		1,610,984,558	1,434,920,832	1,323,770,734
TREASURY STOCK, at cost - 27,390,759 shares, 24,915,677 shares, and 22,337,637 shares in 2011, 2010 and 2009, respectively	*23*			
Balance at beginning of year		**(1,245,759,170)**	(1,116,857,170)	(982,663,220)
Acquisition of treasury stock during the year	*22*	**(123,754,100)**	(128,902,000)	(134,193,950)
Balance at end of year		**(1,369,513,270)**	(1,245,759,170)	(1,116,857,170)
		P1,129,311,505	P1,077,001,879	P1,094,753,781

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2011**	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P250,024,354**	P246,150,477	P198,313,594
Adjustments for:				
Depreciation and amortization	*10, 17*	**38,360,257**	38,805,451	39,704,531
Interest income		**(9,114,225)**	(9,600,032)	(7,817,319)
Provision for retirement expense	*20*	**3,837,572**	3,399,601	2,811,702
Unrealized foreign exchange loss		**2,196,862**	(544,918)	(3,258,003)
Equity in net income of an associate	*8*	**(307,867)**	(291,561)	(126,937)
Provision for (recovery of) impairment losses on receivables	*25*	**(173,869)**	(215,948)	184,406
Dividend income		**-**	(100,200)	(74,150)
Gain on disposal of property and equipment		**-**	-	(825)
Operating income before working capital changes		**284,823,084**	277,602,870	229,736,999
Decrease (increase) in:				
Receivables		**(13,225,736)**	(20,820,013)	(13,107,917)
Inventories		**761,540**	(2,948,030)	215,145
Prepayments and other current assets		**(10,886,605)**	(14,301,441)	(3,916,881)
Other assets		**-**	-	10,678,565
Other noncurrent assets		**93,783,783**	-	-
Increase (decrease) in:				
Accounts payable and accrued expenses		**22,859,178**	854,885	(11,795,046)
Due to related parties		**11,412,236**	(12,023,139)	8,688,856
Refundable deposits		**5,623,444**	(6,100,391)	2,476,935
Other current liabilities		**14,123,234**	8,771,633	14,890,843
Cash generated from operations		**409,274,158**	231,036,374	237,867,499
Income taxes paid		**(58,278,333)**	(51,404,808)	(50,504,469)
Interest received		**16,164,213**	5,019,806	3,144,371
Retirement benefits paid		**(421,998)**	(195,104)	(2,449,837)
Net cash provided by operating activities		**366,738,040**	184,456,268	188,057,564
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	*10*	**(14,135,881)**	(189,757)	(7,077,656)
Proceeds from disposal of property and equipment		**-**	-	825
Dividend received		**-**	100,200	74,150
Net cash used in investing activities		**(14,135,881)**	(89,557)	(7,002,681)

Forward

	Note	2011	2010	2009
			Years Ended December 31	
CASH FLOWS FROM FINANCING ACTIVITIES				
Decrease (increase) in due from related parties		**(P895,005)**	P2,836,474	(P4,661,566)
Acquisition of treasury stock	*23*	**(123,754,100)**	(128,902,000)	(134,193,950)
Dividends paid	*24*	**(54,690,042)**	(7,712,550)	-
Net cash used in financing activities		**(179,339,147)**	(133,778,076)	(138,855,516)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(2,196,862)**	544,918	3,258,003
NET INCREASE IN CASH AND CASH EQUIVALENTS		**171,066,150**	51,133,553	45,457,370
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*4*	**183,280,486**	132,146,933	86,689,563
CASH AND CASH EQUIVALENTS AT END OF YEAR	*4*	**P354,346,636**	P183,280,486	P132,146,933

See Notes to the Financial Statements.

1. Reporting Entity

Grand Plaza Hotel Corporation (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 9, 1989 primarily to own, lease or manage one or more hotels, inns or resorts, all adjuncts and accessories thereto, and all other tourist-oriented businesses as may be necessary in connection therewith. The Company is 54% owned by The Philippine Fund Limited (TPFL), a corporation organized in the Islands of Bermuda. The ultimate parent of the Company is Hong Leong Investment Holdings Pte Ltd., a corporation organized in Singapore.

The Company owns and operates The Heritage Hotel (the "Hotel"), a deluxe class hotel that offers 450 rooms and facilities and amenities such as restaurants, function halls, and a coffee shop, as one operating segment. The address of the Company's registered and principal office is located at the 10th Floor, The Heritage Hotel Manila, EDSA corner Roxas Boulevard, Pasay City.

2. Basis of Preparation

Statement of Compliance
The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

The accompanying financial statements were authorized and approved for issue by the Board of Directors (BOD) on February 3, 2012.

Basis of Measurement
The financial statements have been prepared on the historical cost basis.

Functional and Presentation Currency
The Company's financial statements are presented in Philippine peso, which is the Company's functional currency. All values are rounded to the nearest peso, except when otherwise stated.

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

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

Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso. It is the currency that mainly influences the sales price of goods and services and the costs of providing these goods and services.

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

As of December 31, 2011 and 2010, allowance for impairment losses on receivables amounted to P178,406 and P352,275, respectively (see Note 5). As of December 31, 2011 and 2010, the carrying amount of receivables amounted to P289,457,654 and P283,108,037 (see Note 5).

Estimating Net Realizable Value of Inventories
In determining the net realizable value of inventories, the Company considers inventory obsolescence, physical deterioration, physical damage and changes in price levels or other causes based on specific identification and as determined by management for inventories estimated to be salable in the future. The Company adjusts the cost of inventory to recoverable value at a level considered adequate to reflect market decline in value of the recorded inventories. The Company reviews its inventories on a regular basis to identify those which are to be written down to net realizable values.

Inventories, at lower of cost and net realizable value, amounted to P12,590,052 and P13,351,592 as of December 31, 2011 and 2010, respectively (see Note 6).

Estimating Useful Lives of Property and Equipment
The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. As of December 31, 2011 and 2010, the carrying amount of property and equipment amounted to P696,497,186 and P720,721,562, respectively (see Note 10).

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

As of December 31, 2011 and 2010, the Company's net deferred tax assets amounted to P10,082,610 and P8,652,374, respectively (see Note 21).

Retirement Benefits
The Company accrues retirement benefit cost based on the requirements under its Employees' Retirement Plan, which is in compliance with Republic Act (R.A.) 7641. The determination of the obligation and cost of retirement and other employee benefits is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions include among others, discount rates and salary increase rates. In accordance with PFRSs, actual results that differ from the Company's assumptions, subject to the 10% corridor test, are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future period.

While the Company believes that the assumptions are reasonable and appropriate, significant differences between actual experience and assumptions may materially affect the cost of employee benefits and related obligations.

As of December 31, 2011 and 2010, the Company's accrued retirement liability amounted to P30,731,001 and P27,315,427, respectively. Retirement expense amounted to P3,837,572, P3,399,601 and P2,811,702 in 2011, 2010 and 2009, respectively (see Note 20).

Operating Lease - Company as Lessor
The Company has entered into a lease of its commercial spaces. The Company has determined that it retains all significant risks and rewards of ownership of these spaces which are leased out under operating leases arrangements (see Note 19).

Operating Lease - Company as Lessee
The Company has entered into a lease of land. All the significant risks and rewards of ownership of the leased land remain with the lessor, since the leased property, together with the buildings thereon, and all attached permanent fixtures will be returned to the lessor upon the termination of the lease (see Note 19).

Estimating Allowance for Impairment Losses on Nonfinancial Assets
The Company assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of such asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to the expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.

3. Summary of Significant Accounting Policies

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

<u>Adoption of New or Revised Standards, Amendments to Standards and Interpretations</u>
The Financial Reporting Standards Council approved the adoption of a number of new or revised standards, amendments to standards, and interpretations as part of PFRSs.

Revised Standard and Amendments or Improvements to Standards Adopted in 2011
Effective January 1, 2011, the Company adopted the following revised standard and amendments or improvements to standards:

- Revised PAS 24, *Related Party Disclosures* (2009), amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The revised standard is effective for annual periods beginning on or after January 1, 2011.

- *Improvements to PFRSs 2010* contain 11 amendments to six standards and to one interpretation. The amendments are generally effective for annual periods beginning on or after January 1, 2011. The following are the relevant improvements or amendments to PFRSs which the Company did not early adopt. None of these is expected to have a significant effect on the financial statements of the Company.

    - PFRS 7, *Financial Instruments: Disclosures*. The amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the International Accounting Standard Board amended and removed existing disclosure requirements. The amendments are effective for annual periods beginning on or after January 1, 2011.

- PAS 1, *Presentation of Financial Statements*. The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognized in other comprehensive income is also required to be presented, but may be presented either in the statement of changes in equity or in the notes. The amendments are effective for annual periods beginning on or after January 1, 2011.

The adoption of the above revised standards and amendments or improvements to standards did not have material effect on the Company's financial statements.

New or Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2011, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except for PFRS 9, *Financial Instruments*, which becomes mandatory for the Company's 2015 financial statements and could change the classification and measurement of financial assets. The Company does not plan to adopt this standard early and the extent of the impact has not yet been determined.

The Company will adopt the following new or revised standards, amendments or improvements to standards in the respective effective dates:

To be Adopted on January 1, 2012

- *Disclosures - Transfers of Financial Assets (Amendments to PFRS 7)*, require additional disclosures about transfers of financial assets. The amendments require disclosure of information that enables users of financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognized financial assets. Entities are required to apply the amendments for annual periods beginning on or after July 1, 2011. Earlier application is permitted. Entities are not required to provide the disclosures for any period that begins prior to July 1, 2011.

- Presentation of Items of Other Comprehensive Income (Amendments to PAS 1). The amendments:

  - require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss;
  - do not change the existing option to present profit or loss and other comprehensive income in two statements; and
  - change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles.

  The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other PFRSs continue to apply in this regard.

To be Adopted on January 1, 2013

- PFRS 12, *Disclosure of Interests in Other Entities,* contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate:

    - the nature of, and risks associated with, an entity's interests in other entities; and
    - the effects of those interests on the entity's financial position, financial performance and cash flows.

- PFRS 13, *Fair Value Measurement,* replaces the fair value measurement guidance contained in individual PFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other PFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

- PAS 19, *Employee Benefits* (amended 2011). The amended PAS 19 includes the following requirements:

    - actuarial gains and losses are recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which is currently allowed under PAS 19; and

    - expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

To be Adopted on January 1, 2015

- PFRS 9, *Financial Instruments*

    Standard Issued in November 2009 [PFRS 9 (2009)]
    PFRS 9 (2009) is the first standard issued as part of a wider project to replace PAS 39. PFRS 9 (2009) retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in PAS 39 on impairment of financial assets and hedge accounting continues to apply.

    Standard Issued in October 2010 [PFRS 9 (2010)]
    PFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities to the version issued in November 2009.

    It also includes those paragraphs of PAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives.*

These new or revised standards, amendments or improvements to standards are not expected to have any material effect on the financial statements.

Financial Instruments

Non-derivative Financial Instruments

Non-derivative financial instruments consist of cash and cash equivalents, receivables, loan receivable, due from related parties, other assets, accounts payable and accrued expenses, due to related parties, refundable deposits, and other current liabilities except for output VAT payable, withholding taxes payable and deferred rental.

A financial instrument is recognized if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when: (a) the Company's contractual rights to the cash flows from the financial assets expire or (b) the Company transfers the financial asset to another party without retaining control or substantially all the risks and rewards of the asset. Regular way purchases or sales of financial assets are accounted for at settlement date, i.e., the date that an asset is delivered to or by the Company. Financial liabilities are derecognized when the Company's obligations specified in the contract expire or are discharged or cancelled.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Financial assets are classified as either financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are initially recognized, they are measured at fair value. In the case of investments not at fair value through profit or loss, fair value at initial recognition includes directly attributable transaction costs. The Company classifies its financial liabilities as either FVPL financial liabilities or other financial liabilities. The Company determines the classification of its financial assets and financial liabilities upon initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

The Company has no financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and financial liabilities at FVPL.

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

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or at FVPL.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables shall be recognized in profit or loss on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization is also recognized in profit or loss. Gains or losses are recognized in profit or loss when the loans and receivable are derecognized or impaired, as well as through the amortization process.

Included in this category are the Company's cash and cash equivalents, receivables, loan receivable, due from related parties and other noncurrent assets (see Notes 4, 5, 9, 11 and 14).

Cash includes cash on hand and cash in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and are subject to an insignificant risk of changes in value.

Other Financial Liabilities
This category pertains to financial liabilities that are not designated or classified as at FVPL upon inception of the liability. These include liabilities arising from operations and borrowings. The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization for any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability.

Included in this category are the Company's accounts payable and accrued expenses, due to related parties, refundable deposits, and other current liabilities except for output VAT payable, withholding taxes payable and deferred rental (see Notes 12, 13, 14 and 19).

<u>Capital Stock</u>
Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

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

<u>Inventories</u>
Inventories are measured at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) principle, and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of selling expenses. Obsolete inventories are disposed of and related costs are recognized in profit or loss.

Investment in an Associate
An associate is an entity in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity.

Investment in an associate, Harbour Land Corporation (HLC), which is 40%-owned by the Company and in which the Company has significant influence is accounted for under the equity method of accounting. Investments in associate is recognized initially at cost. The cost of the investment includes transaction costs. The financial statements include the Company's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence ceases.

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

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

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

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

The estimated useful lives are as follows:

	Number of Years
Building and building improvements	46 - 50
Furniture, fixtures and equipment	5 - 10
Transportation equipment	5
Leasehold improvements	5

Estimated useful lives and depreciation and amortization methods are reviewed at each reporting date to ensure that the period and depreciation and amortization method are consistent with the expected pattern of economic benefits from these assets.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation, amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

Impairment of Assets

Financial Assets

The Company assesses at reporting date whether a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of loss shall be recognized in profit or loss.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The determination of impairment losses for financial assets is inherently subjective because it requires material estimates, including the amount and timing of expected recoverable future cash flows. These estimates may change significantly from time to time, depending on available information.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

Non-financial Assets
Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's value in use and fair value less costs to sell. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the cost of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in profit or loss. However, the increase in the carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent that it does not exceed the carrying amount that would have been determined (net of depreciation and amortization) had no impairment loss been recognized for that asset in prior years.

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

Operating Leases
Leases in which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

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

Room Revenue: Revenue is recognized upon actual room occupancy.

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

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

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

Other income, including interest income which is presented net of tax, is recognized when earned.

Costs and expenses are recognized when incurred.

Income Tax
Income tax expense comprises current and deferred tax. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current income tax is the expected tax due on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

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

Related Parties
Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or significant influence. Related parties may be individuals or corporate entities.

Retirement Costs
The Company has an unfunded, noncontributory, defined benefit retirement plan covering substantially all of its employees, except for its directors of hotel operations and executive officers. The calculation is performed annually by a qualified independent actuary using the projected unit credit method. This method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Gains and losses on the curtailment or settlement of retirement benefits are recognized when the curtailment or settlement occurs. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded 10% of the present value of the defined benefit obligation and the fair value of the plan assets at that date. These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plan.

The retirement liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized and reduced by past service cost not yet recognized and the fair value of plan assets out of which the obligation are to be settled directly.

Provisions and Contingencies

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

Any event after the reporting date that provide additional information about the Company's position at the reporting date (adjusting events) is recognized in the financial statements when material. Any event after the reporting date that is not an adjusting event is disclosed in the notes to the financial statements when material.

4. Cash and Cash Equivalents

This account consists of:

	Note	**2011**	2010
Cash on hand and in banks		**P41,432,575**	P19,276,712
Short-term investments	*11*	**312,914,061**	164,003,774
	25	**P354,346,636**	P183,280,486

Cash in banks earns interest at the prevailing bank deposit rates. Short-term investments consist mainly of time deposits which earn interest at prevailing market rates.

In line with the decision of the Court of Tax Appeals (CTA) last May 17, 2011, wherein the assessment against GPHC is cancelled, CTA deemed it proper to discharge the surety bond posted. The Company's short term investment pledged to secure the bond was reclassified to cash and cash equivalents in 2011 (see Note 5).

5. Receivables

This account consists of:

	Note	2011	2010
Trade			
Receivables from Philippine Amusement and Gaming Corporation (PAGCOR)		**P217,052,294**	P204,668,272
Charge customers	*25*	**40,997,404**	32,859,465
Others		**12,967,262**	17,643,638
		271,016,960	255,171,375
Interest	*14*	**16,309,132**	22,578,545
Advances to contractors		**1,190,235**	4,518,197
Advances to employees		**360,854**	310,327
Other receivables		**758,879**	881,868
		289,636,060	283,460,312
Less allowance for impairment losses on trade receivables	*25*	**178,406**	352,275
		P289,457,654	P283,108,037

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

Receivables from PAGCOR include billings for output value added tax (VAT) as of December 31, 2011 and 2010, respectively. The collection of this amount is still pending as PAGCOR is seeking clarification from the Bureau of Internal Revenue (BIR) whether PAGCOR is subject to 10% VAT considering its status as a government corporation. The corresponding 10% output VAT payable from the billings to PAGCOR is likewise not remitted to the BIR pending the clarification from the BIR (see Note 13).

Under Revenue Regulation 16-2005 "Consolidated Value Added Tax Law" which took effect on November 1, 2005, it was legislated that PAGCOR is subject to the value added tax of 12%. Management believes that this law has a prospective application and therefore the previously recorded VAT on transactions with PAGCOR (prior to November 1, 2005) would have to be reversed when the position from the BIR is secured.

In the middle of 2008, the Company received from the Bureau of Internal Revenue (BIR) a Final Decision on Disputed Assessment finding the Company liable for deficiency value added tax (VAT) with respect to the years 1996 to 2002 in total amount of P228.94 million. The Company filed a petition for review with CTA to appeal against such Final Decision on Disputed Assessment.

The BIR also issued a Warrant of Distraint and/or Levy and Warrant of Garnishment against the Company and its assets. On September 12, 2008, the Company filed a surety bond with the CTA, and the CTA granted the Company's Urgent Motion to Suspend Collection of Tax and Extremely Urgent Supplemental Motion to Suspend and Enjoin Collection of Taxes and issued a Temporary Restraining Order enjoining the BIR from further efforts at collection of taxes, and particularly the implementation of the Warrant of Distraint and/or Levy and the Warrant of Garnishment.

In 2009, the Company moved to have a preliminary hearing conducted to first resolve the legal issues. The CTA granted the motion and hearings were subsequently conducted. On September 4, 2009, the CTA granted the evidence presented by the Company.

On January 6, 2011, the Company received a CTA resolution in which the CTA resolved to lift the Warrant of Garnishment (thereby lifting the Warrant of Distraint and/or Levy as well) but denied the Company's Motion to Discharge Surety Bond.

On June 22, 2011, a copy of the CTA's resolution promulgated on June 17, 2011, which resolved the Motion in favor of the Company, thereby ordering that the surety bond posted by the Company for the suspension of collection of taxes be cancelled and withdrawn.

As mentioned in the CTA Resolution, in line with the decision of the Supreme Court in *Philippine Amusement and Gaming Corporation (PAGCOR) vs. The Bureau of Internal Revenue, et al.*, the CTA, in its decision dated February 18, 2011, cancelled the BIR assessment against the Company for deficiency value-added tax in the amount of P228 million for taxable years 1996 to 2001. In its resolution dated May 17, 2011, the CTA denied the Commissioner of Internal Revenue's Motion for Reconsideration of the CTA's decision rendered on February 18, 2011. According to the CTA, considering that the assessment against the Company for deficiency VAT has been cancelled, the CTA deemed it proper that the surety bond posted by the Company be discharged.

On September 1, 2011, the CTA En Banc resolved to give course to BIR's appeal. The Company has filed its Memorandum in October 2011. On November 15, 2011, the CTA ruled that for failure by the BIR to file the Memorandum within the period prescribed with the Court and that the Company has already filed its Memorandum, the case is now submitted for decision. As of to date, the Company is still waiting for the CTA decision.

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

6. Inventories

This account consists of:

	2011	2010
Food	**P2,673,229**	P2,600,673
General supplies	**4,632,644**	5,391,495
Beverage and tobacco	**997,711**	875,244
Engineering supplies	**978,230**	845,643
Others	**3,308,238**	3,638,537
	P12,590,052	P13,351,592

There was no write down of inventories to NRV in both 2011 and 2010.

7. Prepayments and Other Current Assets

This account consists of:

	2011	2010
Input value-added tax	**P9,479,891**	P9,039,941
Prepaid expenses	**3,678,834**	6,450,424
Others	**397,351**	310,119
	P13,556,076	P15,800,484

Input value added taxes are current and can be applied against output taxes.

8. Investment in an Associate

Investment in an associate pertains to the 40% ownership in Harbour Land Corporation (HLC), a Philippine corporation engaged in the real estate business (see Note 14).

This account consists of:

	2011	2010
Acquisition cost	**P48,200,000**	P48,200,000
Accumulated share in net losses:		
Balance at beginning of year	**(1,107,026)**	(1,398,587)
Equity in net income of associate during the year	**307,867**	291,561
Balance at end of year	**(799,159)**	(1,107,026)
	P47,400,841	P47,092,974

A summary of the financial information of HLC follows:

	2011	2010
Total assets	**P146,917,375**	P153,096,410
Total liabilities	**82,444,947**	89,363,975
Total equity, net of subscription receivable of P54 million	**64,472,428**	63,732,435
Revenue	**10,678,560**	10,678,560
Net income	**739,994**	728,901

9. Loan Receivable

This pertains to the loan granted to Rogo Realty Corporation (RRC), a company under common control, which is collateralized by RRC's investment in shares of stock of HLC with a carrying value P72.3 million as at December 31, 2011 and 2010 and is payable on demand with interest rate of 5% per annum (see Note 14).

Interest income in 2011, 2010 and 2009 amounted to P775,000 for each year.

10. Property and Equipment

The movements in this account are as follows:

	Building and Building Improvements	Furniture Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Total
Gross carrying amount:					
Balance, January 1, 2010	P978,480,720	P355,662,034	P4,158,198	P385,157	P1,338,686,109
Additions	-	189,757	-	-	189,757
Balance, December 31, 2010	978,480,720	355,851,791	4,158,198	385,157	1,338,875,866
Additions	6,038,326	8,097,555	-	-	14,135,881
Balance, December 31, 2011	**984,519,046**	**363,949,346**	**4,158,198**	**385,157**	**1,353,011,747**
Accumulated depreciation and amortization:					
Balance, January 1, 2010	323,605,326	251,904,845	3,453,525	385,157	579,348,853
Depreciation and amortization during the year	21,268,394	16,982,235	554,822	-	38,805,451
Balance, December 31, 2010	344,873,720	268,887,080	4,008,347	385,157	618,154,304
Depreciation and amortization during the year	21,430,624	16,779,782	149,851	-	38,360,257
Balance, December 31, 2011	**366,304,344**	**285,666,862**	**4,158,198**	**385,157**	**656,514,561**
Carrying amount:					
December 31, 2010	P633,607,000	P86,964,711	P149,851	P -	P720,721,562
December 31, 2011	**P618,214,702**	**P78,282,484**	**P -**	**P -**	**P696,497,186**

As of December 31, 2011 and 2010, there are no indications of impairment on the carrying amount of property and equipment.

11. Other Noncurrent Assets

This account consists of:

	Note	**2011**	2010
Lease deposit	*14, 19, 25*	**P78,000,000**	P78,000,000
Miscellaneous investments and deposits		**5,085,791**	5,085,791
Restricted cash	*4, 5, 25*	-	93,783,783
Others		**1,010,000**	1,010,000
		P84,095,791	P177,879,574

Restricted cash represents the portion of Company's short-term investments that was pledged to secure the bond in connection with the value added tax (VAT) case of the Company (see Note 5).

In 2011, CTA discharged the surety bond as discussed in Note 5. The Company reverted the related cash to current assets.

12. Accounts Payable and Accrued Expenses

This account consists of:

	Note	2011	2010
Trade payables	*14*	**P64,806,169**	P37,074,514
Accrued payroll		**15,021,238**	12,552,419
Accrued other liabilities		**1,745,234**	2,735,149
Accrued utilities		**1,682,657**	7,818,208
Others		**499,125**	499,125
		P83,754,423	P60,679,415

The Company's exposure to liquidity risk related to trade and other payables are disclosed in Note 25.

Trade payables have normal terms of 15 to 30 days.

13. Other Current Liabilities

This account consists of:

	2011	2010
Output VAT payable	**P193,155,784**	P183,758,039
Deferred rental	**4,896,161**	1,718,564
Withholding taxes payable	**2,639,778**	2,406,340
Dividend payable	**-**	54,690,042
Others	**15,256,150**	13,941,696
	P215,947,873	P256,514,681

Output VAT payable represents output tax charged to PAGCOR, as discussed in Note 5.

14. Related Party Transactions

The relationship of the Company with the related parties is shown below:

Related Party	**Relationship**
TPFL	Intermediate parent company
HLC	Associate
RRC	Under common control
ELITE	Under common control
M & C	Under common control
CDL	Under common control (until April 12, 2011)

On April 12, 2011, CDL was no longer a related party of Millenium & Corpothorne Int'l Ltd. (M&C). since the latter was sold to a third party.

The Company has significant transactions and balances with related parties as follows:

	Nature	*Note*	2011	2010
Due from related parties:				
Elite Hotel Management Services Pte. Ltd - Philippine Branch	Advances		**P2,508,721**	P -
RRC	Advances		**595,524**	470,705
HLC	Advances		**-**	1,100,011
CDL Hotels (Phils.)	Advances		**-**	638,524
			P3,104,245	P2,209,240
Due to related parties:				
Elite Hotel Management Services Pte. Ltd. - Philippine Branch	Management and incentive fees		**P18,188,345**	P -
HLC	Rent payable	*19*	**952,172**	1,966,630
Millenium & Copthorne Int'l Ltd. (M & C)	Advances		**188,814**	406,244
CDL Hotels (Phils.) Corporation	Management and incentive fees		**-**	5,544,221
			P19,329,331	P7,917,095

Other balances with related parties are as follows:

Related Party	Nature	*Note*	2011	2010
RRC	Interest	*9*	**P15,539,781**	P14,764,781
HLC	Interest	*19*	**325,000**	7,800,000
		5	**15,864,781**	22,564,781
RRC	Loan	*9*	**15,500,000**	15,500,000
HLC	Lease deposit	*11, 19*	**78,000,000**	78,000,000

In the normal course of business, the Company grants/obtains advances to/from related parties for working capital purposes. These advances are non-interest bearing and are payable on demand.

The interest receivable from HLC represents the uncollected interest on the lease deposit of the Company to HLC at 5% a year (see Note 19). The related interest income amounted to P3.9 million each for the years in 2011, 2010 and 2009.

The interest receivable from RRC represents the uncollected interest on the loan granted by the Company to RRC at 5% a year (see Note 9). The related interest income amounted to P0.78 million for each of the years in 2011, 2010 and 2009.

The Company has a management contract with CDL under which the latter provides management, technical and administrative services to the Company in return for a yearly management and incentive fees equivalent to 2% of total gross revenue and 7% of gross operating profit, respectively (see Note 17). CDL was replaced by Elite Hotel Management Services Pte. Ltd-Philippine Branch in April 2011.

The Company has a Management Agreement with Elite Hotel Management Services Pte. Ltd-Philippine Branch, under which the latter provides management, technical and administrative services. In return, the Company has to pay monthly basic management and incentive fees based on a percentage of the hotel's revenue (2%) and gross operating profit (7%) starting April 2011.

Transactions with Key Management Personnel

The total remuneration of key management personnel in the form of short-term employee benefits is shown below:

	2011	2010	2009
Directors of Hotel operations	**P4,632,014**	P3,808,576	P3,745,830
Executive officers	**17,080,085**	17,413,730	15,234,958
	P21,712,099	P21,222,306	P18,980,788

The Company does not provide post-employment and equity-based compensation benefits to its directors of hotel operations and executive officers.

15. Cost of Sales

This account consists of:

	Note	2011	2010	2009
Inventories at beginning of year	*6*	**P13,351,592**	P10,403,562	P10,618,707
Purchases		**65,026,886**	64,313,634	57,913,308
Available for sale		**78,378,478**	74,717,195	68,532,015
Inventories at end of year	*6*	**(12,590,052)**	(13,351,592)	(10,403,562)
		P65,788,426	P61,365,604	P58,128,453

16. Selling Expenses

This account consists of:

	Note	2011	2010	2009
Salaries, wages and employee benefits:	20			
Food and beverage		**P37,507,347**	P35,619,283	P39,676,413
Rooms		**27,380,743**	26,645,057	26,690,934
Other operated departments		**1,085,379**	1,044,916	1,247,333
		65,973,469	63,309,256	67,614,680
Property operation, maintenance, energy and conservation		**102,710,455**	92,190,815	86,208,910
Guest supplies		**12,134,169**	11,420,538	11,268,774
Transport charges		**6,562,299**	4,654,703	4,632,554
Laundry and dry cleaning		**5,334,938**	4,438,767	4,186,458
Kitchen fuel		**3,852,414**	3,577,828	2,677,098
Printing and stationery		**2,992,692**	3,043,172	2,959,011
Commission		**2,188,715**	2,060,096	1,160,566
Music and entertainment		**875,703**	1,961,580	1,008,609
Cleaning supplies		**875,042**	1,549,945	1,409,280
Permits and licenses		**319,987**	1,716,397	1,573,959
Miscellaneous		**9,856,142**	5,890,394	5,170,321
		P213,676,025	P195,813,491	P189,870,220

17. Administrative Expenses

This account consists of:

	Note	2011	2010	2009
Hotel Overhead Departments				
Salaries, wages and employee benefits:	20			
Administrative and general		**P32,507,749**	P32,874,580	P32,737,701
Engineering		**8,534,422**	8,341,681	8,688,457
Sales and marketing		**6,855,053**	6,114,497	7,428,978
Human resources		**2,488,329**	2,057,031	2,190,724
		50,385,553	49,387,789	51,045,860
Management and incentive fees	14	**33,546,682**	33,707,516	30,509,299
Credit card commission		**5,570,015**	5,003,463	4,530,887
Data processing		**2,302,681**	1,777,875	1,631,503
Dues and subscription		**2,225,263**	608,241	359,256
Advertising		**2,194,679**	1,351,028	1,934,212
Entertainment		**824,137**	1,195,529	1,474,453
Awards and social activities		**671,861**	714,334	639,909
Legal and professional fees		**400,113**	1,466,029	759,248
Miscellaneous		**3,424,655**	2,900,320	3,550,928
		P101,545,639	P98,112,124	P96,435,555

Forward

	Note	2011	2010	2009
Corporate Office				
Depreciation and amortization	10	**P38,360,257**	P38,805,451	P39,704,531
Professional fees		**13,297,869**	4,180,325	4,700,455
Leased land rental	19	**10,678,560**	10,678,560	10,678,560
Insurance		**10,473,676**	11,151,686	13,092,592
Property tax		**9,265,681**	9,265,681	9,265,681
Directors' fees		**2,387,044**	2,110,970	2,566,565
Taxes and licenses		**1,564,245**	2,433,303	6,563,740
Office supplies		**1,258,110**	1,212,088	1,018,385
Transportation		**1,012,368**	682,499	620,792
Miscellaneous		**7,044,001**	8,372,358	6,634,275
		95,341,811	88,892,921	94,845,576
		P196,887,450	P187,005,045	P191,281,131

18. Earnings Per Share

Basic and diluted earnings per share are computed as follows:

	2011	2010	2009
Weighted average number of common shares			
Balance at beginning of year	**P62,402,593**	P64,980,633	P67,664,512
Weighted average number of shares acquired during the year	**(1,546,926)**	(1,611,275)	(1,677,424)
	P60,855,667	P63,369,358	P65,987,088

	2011	2010	2009
Net income for the year	**P176,063,726**	P173,552,690	P138,317,275
Divided by weighted average outstanding shares	**60,855,667**	63,369,358	65,987,088
	P2.89	P2.74	P2.10

There are no potential dilutive common stock for the years presented.

19. Leases

Lease Receivables

The Company leases certain portions of the Hotel premises to third parties for a term of three years with options for extension/renewal upon mutual agreement of the parties. The leases include provisions for rental increment of 5% upon renewal of the contracts subject to renegotiations of both parties. Future minimum lease receivables are as follows:

	2011	2010
Due within one year	**P104,054,366**	P104,054,366
After one year but not more than five years	**104,054,366**	208,108,732
	P208,108,732	P312,163,098

The lease agreements with the third parties required the latter to give the Company lease deposits amounting to a total of P25,694,468 and P20,586,639 in 2011 and 2010, respectively, and are shown as part of "Refundable Deposits" in the statements of financial position. Rent income amounted to P131,661,025, P110,550,431 and P99,073,335 in 2011, 2010 and 2009, respectively.

On March 31, 2011, the Company, as lessor, and PAGCOR, as lessee, agreed to amend and include additional spaces in the Contract of Lease. The amended lease contract is binding until July 10, 2013.

Lease Obligations

The Company leases the land occupied by the Hotel from HLC for a period of 25 years up to January 1, 2015. On August 1, 2004, the Company, as lessee, and HLC, as lessor, agreed to amend the Contract of Lease with Option to Purchase executed by the parties on November 12, 1991 covering the lease of the land. The amended contract provides for the following:

a. Annual rental on the land of P10,678,560 (shown as part of Leased land rental under "Administrative expenses" account in 2011, 2010 and 2009);

b. Required lease deposit (shown as part of "Other noncurrent assets" in the statements of financial position) of P78 million; and

c. Interest rate of 5% per annum on the lease deposit which the lessor is obligated to pay to the Company.

Future minimum rental obligations on the land are as follows:

	2011	2010	2009
Due within one year	**P10,678,560**	P10,678,560	P10,678,560
After one year but not more than five years	**21,357,120**	32,035,680	42,714,240
	P32,035,680	P42,714,240	P53,392,800

Advance rental payment (as of December 31, 2008 shown as part of "Other noncurrent assets" in the statements of financial position) of P10,678,565 was applied against rent expense in 2009.

20. Retirement Cost

The Company's employees are entitled to retirement benefits in compliance with R.A. No. 7641, which is unfunded.

The reconciliation of the present value of the defined benefit obligation to the recognized liability presented as "Accrued Retirement Liability" in the Company's statements of financial position is shown below:

	2011	2010
Present value of defined benefit obligation	**P26,077,462**	P22,388,419
Unrecognized actuarial gains	**4,653,539**	4,927,008
Liability recognized in the statements of financial position	**P30,731,001**	P27,315,427

The movements in the present value of the defined benefit obligation for the years ended December 31 are as follows:

	2011	2010
Present value of obligation at beginning of year	**P22,388,419**	P21,277,161
Current service cost	**2,141,338**	1,694,667
Interest cost	**1,903,016**	1,755,366
Benefits paid	**(421,998)**	-
Actuarial losses (gains)	**66,687**	(2,338,775)
Present value of obligation at end of year	**P26,077,462**	P22,388,419

The amounts of retirement expense which are recorded under "Salaries, wages and employee benefits" in the statements of comprehensive income for the years ended December 31 are as follows:

	2011	2010	2009
Current service cost	**P2,141,338**	P1,694,667	P1,647,488
Interest cost	**1,903,016**	1,755,366	1,527,257
Amortization of actuarial gain	**(206,782)**	(50,432)	(363,043)
Retirement expense	**P3,837,572**	P3,399,601	P2,811,702

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

	2011	2010	2009
Discount rate	**8%**	8%	9%
Future salary increases	**7%**	7%	7%

The historical information of the amounts for the current and previous annual periods are as follows:

	2011	2010	2009	2008	2007
Present value of defined benefit obligation	**P26,077,462**	P22,388,419	P21,277,161	P16,969,517	P17,553,702
Deficit in the plan	**P26,077,462**	P22,388,419	P21,277,161	P16,969,517	P17,553,702
Experience adjustments on plan liabilities	**(P2,435,509)**	(P1,665,030)	P1,563,774	(P1,187,329)	(P5,067,912)

21. Income Tax

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

	2011	2010	2009
Current tax expense	**P75,390,864**	P74,308,278	P59,897,028
Deferred tax expense (benefit)	**(1,430,236)**	(1,710,491)	99,291
	P73,960,628	P72,597,787	P59,996,319

The reconciliation of the income tax expense computed at statutory income tax rate to the income tax expense shown in the statements of comprehensive income follows:

	2011	2010	2009
Income before income tax	**P250,024,354**	P246,150,477	P198,313,594
Income tax expense at statutory tax rate	**P75,007,306**	P73,845,143	P59,494,078
Additions to (reductions in) income tax resulting from the tax effects of:			
Income subjected to final tax	**(1,331,743)**	(1,477,485)	(959,736)
Non deductible expense	**377,425**	317,597	1,500,058
Equity in net income of an associate	**(92,360)**	(87,468)	(38,081)
	P73,960,628	P72,597,787	P59,996,319

The components of the Company's net deferred tax assets are as follows:

	2011	2010
Retirement liability	**P9,219,300**	P8,194,628
Deferred rental income	**1,468,848**	515,539
Allowance for impairment losses on receivables	**53,522**	105,682
Foreign exchange gain	**(659,060)**	(163,475)
	P10,082,610	P8,652,374

22. Appropriation of Retained Earnings

The Company has appropriated the amount of P123,754,100, P128,902,000 and P134,193,950 in 2011, 2010 and 2009, respectively, to finance the acquisition of treasury stock during those years.

23. Treasury Stock

The board of directors approved the acquisition of treasury stock in the last three years as follows:

Date of Meeting	No. of Shares Purchased	Stockholders on Record as of	Ratio of Purchase	Cost Per Share	Amount
May 13, 2011	2,475,082	June 13, 2011	1:25	P50	P123,754,100
May 15,2010	2,578,040	June 5, 2010	1:25	50	128,902,000
May 15, 2009	2,683,879	June 5, 2009	1:25	50	134,193,950

As of December 31, 2011 and 2010, 27,390,759 shares and 24,915,677 shares, respectively, were held in treasury.

24. Dividend Declaration

On November 22, 2010, the Board of Directors of the Company declared cash dividends equivalent to P62,402,592 out of the unrestricted retained earnings as of December 31, 2009 payable on or before January 5, 2011 to the stockholders of record as of December 7, 2010. There has been no dividends declared in 2011 and 2009.

25. Financial Risk and Capital Management

The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

The main purpose of the Company's dealings in financial instruments is to fund its operations and capital expenditures.

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

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

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

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

Receivable balance is being monitored on a regular basis to ensure timely execution of necessary intervention efforts.

The carrying amount of financial assets as of December 31, 2010 and 2009 represents the maximum credit exposure. The maximum exposure to credit risk at the reporting dates is as follows:

	Note	**2011**	2010
Cash and cash equivalents	*4*	**P354,346,636**	P183,280,486
Receivables - net	*5, 14*	**289,457,654**	283,108,037
Loan receivable	*9, 14*	**15,500,000**	15,500,000
Due from related parties	*14*	**3,104,245**	2,209,240
Other noncurrent assets	*11*	**84,095,791**	177,879,574
		P746,504,326	P661,977,337

Details of trade receivables from charge customers as of December 31, 2011 and 2010 by type of customer is as follows:

	Note	**2011**	2010
PAGCOR		**P17,310,225**	P10,256,777
Corporations		**5,772,263**	9,525,839
Travel agencies		**2,849,364**	3,885,320
Credit cards		**2,873,705**	2,207,772
Airlines		**5,302,011**	1,998,081
Others		**6,889,836**	4,985,676
	5	**40,997,404**	32,859,465
Less allowance for impairment losses on trade receivables	*5*	**178,406**	352,275
		P40,818,998	P32,507,190

The Company's most significant customer, PAGCOR, accounts for 42.22% and 31.21% of the trade receivables from charge customers as of December 31, 2011 and 2010, respectively. Revenues from PAGCOR approximately amounted to P217,804,914, P176,610,032 and P192,438,399 in 2011, 2010 and 2009, respectively, and represent 30%, 26% and 30% of the Company's total revenues.

The aging of trade receivables as of December 31, 2011 and 2010 is as follows:

	2011		2010	
	Gross Amount	Impairment	Gross Amount	Impairment
Current	P25,991,010	P -	P19,302,326	P -
Over 30 days	11,840,494	-	10,782,491	-
Over 60 days	2,846,646	-	2,276,533	-
Over 90 days	319,254	178,406	498,115	352,275
	P40,997,404	P178,406	P32,859,465	P352,275

The movements in the allowance for impairment in respect of trade receivables during the year are as follows:

	Amount
Balance at January 1, 2010	P568,223
Reversal in 2010	(215,948)
Balance at December 31, 2010	352,275
Reversal in 2011	(173,869)
Balance at December 31, 2011	P178,406

The allowance for impairment losses on trade receivables as of December 31, 2011 and 2010 of P178,406 and P352,275, respectively, relates to outstanding accounts of customers that are more than 90 days past due.

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

	As of December 31, 2011			
	Grade A	Grade B	Grade C	Total
Cash and cash equivalents	P354,346,636	P -	P -	P354,346,636
Receivables - net	31,219,432	37,798,690	220,439,532	289,457,654
Loan receivable	-	15,500,000	-	15,500,000
Due from related parties	-	3,104,245	-	3,104,245
Other noncurrent assets	84,095,791	-	-	84,095,791
	P469,661,859	P56,402,935	P220,439,532	P746,504,326

	As of December 31, 2010			
	Grade A	Grade B	Grade C	Total
Cash and cash equivalents	P183,280,486	P -	P -	P183,280,486
Receivables - net	64,882,626	13,557,139	204,668,272	283,108,037
Loan receivable	-	15,500,000	-	15,500,000
Due from related parties	-	2,209,240	-	2,209,240
Other noncurrent assets	84,095,791	-	93,783,783	177,879,574
	P332,258,903	P31,266,379	P298,452,055	P661,977,337

Grade A receivables pertain to those receivables from customers that always pay on time or even before the maturity date. Grade B includes receivables that are collected on their due dates provided that they were reminded or followed up by the Company. Those receivables which are collected consistently beyond their due dates and require persistent effort from the Company are included under Grade C.

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

Liquidity Risk

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

The Company's total current liabilities as of December 31, 2011 and 2010 amounted to P338,933,530 and P341,247,406, respectively, which are less than its total current assets of P688,554,663 and P513,249,839, respectively. Thus, the Company has sufficient funds to pay for its current liabilities and has minimal liquidity risk.

Market Risk

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

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

Room Rates

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

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

Interest Rate Risk

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

Foreign Currency Risk

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

Fair Values

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

	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	P354,346,636	P354,346,636	P183,280,486	P183,280,486
Receivables - net	289,457,654	289,457,654	283,108,037	283,108,037
Loan receivable	15,500,000	15,500,000	15,500,000	15,500,000
Due from related parties	3,104,245	3,104,245	2,209,240	2,209,240
Other noncurrent assets	84,095,791	84,095,791	177,879,574	177,879,574
Accounts payable and accrued expenses	83,754,423	83,754,423	60,679,415	60,679,415
Due to related parties	19,329,331	19,329,331	7,917,095	7,917,095
Other current liabilities	15,256,150	15,256,150	68,631,738	68,631,738

Estimation of Fair Values

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

Cash and Cash Equivalents

The fair value of cash approximates its carrying amount due to the short-term nature of these assets.

Receivables/Due from Related Parties/Loan Receivable/Accounts Payable and Accrued Expenses/Due to Related Parties/Other Current Liabilities Except for Output VAT Liability, Withholding Taxes Payables and Deferred Rental

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

Short-term Investments/Other Noncurrent Assets

Short-term investments and other noncurrent assets are interest bearing. The carrying value of short-term investments approximates its fair value, because the effective interest rate used for discounting the short-term investment and other noncurrent assets approximates the current market rate of interest for similar transactions.

Capital Management

The Company's objectives when managing capital are to increase the value of shareholders' investment and maintain high growth by applying free cash flow to selective investments. The Company sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Chief Financial Officer has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

The Company is not subject to externally imposed capital requirements.

The Company monitors capital on the basis of the debt-to-equity ratio which is calculated as total debt divided by total equity. Total debt is equivalent to accounts payable and accrued expenses, income tax payable, due to related parties, other current liabilities, refundable deposits and accrued retirement liability. Total equity comprises mainly of the capital stock and retained earnings.

There were no changes in the Company's approach to capital management during the period.

26. Contingencies

The Company, in the ordinary course of business, is a party to certain labor and other cases which are under protest or pending decisions by the courts, the outcome of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability arising from these cases or claims, if any, will not have a material effect on the Company's financial position or results of operations.

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

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRSs. The following is the tax information required for the taxable year ended December 31, 2011:

I. Based on Revenue Regulations (RR) No. 19-2011

A. Sales/Receipts/Fees

	Exempt	Special Rate	Regular/ Normal Rate	Total
Sale of Goods	P -	P -	P203,305,340	P203,305,340
Sale of Services	-	-	518,700,466	518,700,466
	P -	P -	P722,005,806	P722,005,806

B. Cost of Sales/Services

	Exempt	Special Rate	Regular/ Normal Rate	Total
Cost of Sales				
Merchandise/finished goods inventory, beginning	P -	P -	P13,351,592	P13,351,592
Add: Purchases of merchandise/cost of goods manufactured	-	-	65,026,886	65,026,886
Total goods available for sale	-	-	78,378,478	78,378,478
Less: Merchandise/ finished goods inventory, end	-	-	12,590,052	12,590,052
	P -	P -	P65,788,426	P65,788,426

C. Non-Operating and Taxable Other Income

	Exempt	Special Rate	Regular/ Normal Rate	Total
Interest income	P -	P -	P4,675,082	P4,675,082
Others	-	-	213,835	213,835
	P -	P -	P4,888,917	P4,888,917

D. Itemized Deductions (if Company did not avail of the Optional Standard Deduction)

	Exempt	Special Rate	Regular/ Normal Rate	Total
Salaries and allowances	P -	P -	P112,943,448	P112,943,448
Repairs and maintenance-materials and supplies	-	-	102,710,455	102,710,455
Depreciation	-	-	38,360,257	38,360,257
Management and consultancy fee	-	-	33,546,682	33,546,682
Office supplies	-	-	17,260,013	17,260,013
Professional fees	-	-	13,697,982	13,697,982
Taxes and licenses	-	-	11,149,913	11,149,913
Rental	-	-	10,678,560	10,678,560
Insurance	-	-	10,473,676	10,473,676
Commissions	-	-	7,758,730	7,758,730
Transportation and travel	-	-	7,574,667	7,574,667
Fuel and oil	-	-	3,852,414	3,852,414
Directors fee	-	-	2,387,044	2,387,044
Data processing	-	-	2,302,681	2,302,681
Dues and subscription	-	-	2,225,263	2,225,263
Advertising	-	-	2,194,679	2,194,679
Representation and entertainment	-	-	1,699,840	1,699,840
Other hotel expenses	-	-	28,987,113	28,987,113
	P -	P -	P409,803,417	P409,803,417

II. Based on RR No. 15-2010

A. Value Added Tax (VAT)

1. Output VAT	P58,435,532
Account title used:	
Basis of the Output VAT:	
Vatable sales	P477,003,835
Exempt sales	9,958,936
Zero rated sales	231,865,338
	P718,828,109

2. Input VAT	
Beginning of the year	P881,202
Input tax Deferred on Capital Goods from Previous Period	1,524,123
Current year's domestic purchases:	
a. Goods for resale/manufacture or further processing	9,123,495
b. Services lodged under other accounts	17,882,490
Claims for tax credit/refund and other adjustments	933,450
Balance at the end of the year	P30,344,760

B. Withholding Taxes

Tax on compensation and benefits	P21,387,936
Creditable withholding taxes	12,172,615
Final withholding taxes	8,349,086
	P41,909,637

C. All Other Taxes (Local and National)

Other taxes paid during the year recognized under "Taxes and licenses" account under Cost of Sales & Operating Expenses	
Real estate taxes	P10,200,096
License and permit fees	79,659
Others	870,158
	P11,149,913

D. Deficiency Tax Assessments

Period Covered	Amount*
2001	P765,104
2002	228,943,589
2009	1,666,209
2010	1,656,322
	P233,031,224

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

E. Tax Cases

As of December 31, 2011, the Company has the following tax cases:

a. 2001 - Settled basic tax due of P403,130 on March 2010, as agreed on the Letter of Abatement filed. Request to waive the interest and surcharges of P346,140 is still for approval at BIR LTS.

b. 2002 - PAGCOR VAT case filed against the Company.

COVER SHEET

1 6 6 8 7 8

S.E.C. Registration Number

GRAND PLAZA HOTEL CORPORATION

(Company's Full Name)

10th Floor, The Heritage Hotel

Manila, EDSA corner

Roxas Boulevard, Pasay City

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

Mr. Yam Kit Sung

Contact Person

854-8838

Company Telephone Number

1 2 | 3 1

Month *Day*

A A F S

FORM TYPE

Month *Day*

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

507

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes.