Print this page

## 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 | 05-May-2010 17:10:24 |
| Announcement No. | 00054 |

### >> Announcement Details

The details of the announcement start here ...

| | |
|---|---|
| Announcement Title * | Announcement by Subsidiary Company, Grand Plaza Hotel Corporation on Quarterly Report for First Quarter of 2010 |
| Description | Please see attached the announcement released by Grand Plaza Hotel Corporation on 5 May 2010. |
| **Attachments** | GPHC_1stQ2010.pdf<br>Total size = **745K**<br>(2048K size limit recommended) |

Close Window

# COVER SHEET

1 6 6 8 7 8

S.E.C. Registration Number

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

(Company's Full Name)

10F T H E H E R I T A G E H O T E L R O X A S

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

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

Y A M K I T S U N G

Contact Person

8 5 4 8 8 3 8

Company Telephone Number

1 2 | 3 1

*Month* *Day*

Fiscal Year

S E C 17 Q

FORM TYPE

0 5 | 1 5

*Month* *Day*

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-Q**

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

1 For the quarterly period ended **March 31, 2010**

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

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

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

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

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

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

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

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

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

*includes 22,337,637 treasury shares

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

Yes [ X ] No [ ]

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

**PHILIPPINE STOCK EXCHANGE, INC.** **COMMON**

12. Indicate by check mark whether the registrant:

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

Yes [ X ]   No [ ]

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

Yes [ X ]   No [ ]

## PART I – FINANCIAL INFORMATION

Item 1 **Financial Statements**

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

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

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

## PART II – OTHER INFORMATION

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

SIGNATURES

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

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

# PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements Required Under SRC Rule 68.1

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

Notes to Financial Statements

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

The same accounting policies and methods of computation are followed in the interim financial statements for the year 2009 as compared with the most recent annual financial statements.

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

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

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

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

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

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

The Company organized its business into 4 main segments:

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

The segment revenues and results are as follows:

| | YTD 1st Quarter Revenue – Peso | YTD 1st Quarter Department Profit - Peso |
|---|---|---|
| Room | 99,831,059 | 87,561,147 |
| Food and Beverage | 54,355,915 | 28,340,333 |
| Other Operated Departments | 2,307,722 | 751,967 |
| Others | 26,151,839 | 26,151,839 |

*Subsequent Events*
None

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

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

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

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

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

| *Balance Sheet Analysis* | 31 March 2010 | 31 March 2009 | 31 December 2009 |
|---|---|---|---|
| Current ratio | 1.63 | 1.60 | 1.87 |
| Net book value per share (include treasury shares) | PhP13.13 | PhP12.88 | PhP12.54 |
| *Profit & Loss Analysis* | | | |
| Earnings per share | PhP0.79 | PhP0.51 | PhP2.13 |
| Profit before tax margin ratio | 39% | 30% | 31.39% |
| EBITDA | PhP80.1M | PhP55.4M | PhP232.1M |

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

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 higher net book value as compared to 31 December 2009 is mainly due to higher assets value.

Earning per share (EPS) is derived by dividing the net profit after tax by the total shares outstanding. This indicator measures the earning of the Company on a per share basis. As compared to the same period last year, EPS is higher by PhP0.28 per share. The higher EPS is due to higher total revenue and profit after tax. Total revenue has increased by about PhP24M as compared to the same period of last year.

Profit before tax margin ratio is computed by dividing the profit before tax against the total revenue. This ratio measures whether the Company is able to contain its expenses in relation to the revenue. This ratio is 9 percentage points higher than last year. The favorable variance is mainly due to stronger revenue.

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

## Balance Sheets Analysis:

Total assets increased by about PhP105 million or 7% as compared to the end of last fiscal year.

*Cash and short term notes:*
This balance includes short-term fixed deposits with banks. There is an increase of PhP89.7 million as compared to the end of last fiscal year. The higher cash balance compared to last fiscal year-end is due to no major capital expenditure during the first quarter. The improvement in overall business also contributed to higher cash flow of the hotel. In addition, Pagcor the major tenant also paid in advance its rental amounting to about PhP39 million. In order for the Company to secure a Surety Bond, the Company signed a Deed of Assignment of Saving/Time Deposit with Prudential Guarantee And Assurance Inc. with an amount of Ph93 million that is placed with Australian and New Zealand Banking Corp. Manila.

*Provision for bad debts:*
The Company's policy is to provide 50% of any debts more than 90 days old.
As debts more than 90 days have increased in the first quarter, the Company increased the provision as compared to the end of last fiscal year.

*Deferred tax assets:*
This is the recognition of the deferred tax on the advance rental paid by Pagcor which will be amortized monthly.

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

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

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

As compared with the end of last fiscal year, there is an increase of about PhP20 million as the companies have not repaid their balances outstanding during the year.

*Prepaid expenses:*
There is a decrease of PhP1.4 million as compared to end of last fiscal year. The main reason is due the amortizing of the prepaid expenses during the first quarter of 2010.

*Other current assets:*
The decrease of PhP4.9 million or 39% versus to end of last fiscal years is due to the payment of outstanding bills from tenants.

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

The decrease in balance is due to depreciation charges for the year.

*Accounts payable:*
There is an increase of PhP7.6 million as compared to the end of last fiscal year. The increase is consistent with the improvement in revenue.

*Rental payable:*
As compared with the end of last fiscal year, there is an increase PhP2.8 million as the Company has not settle its rental to a related company.

*Deferred rental:*
This is the recognition of the advance rental paid by Pagcor which will be amortized monthly.

*Due to associated/related companies:*
There is an increase of PhP5.3 million as compared to end of last fiscal year as company has not settled its obligations with the related company during the first quarter.

*Income Tax Payable:*
Income tax payable increased by PhP10.2 million as compared to 31 December 2009 as the Company has higher profit for the first quarter of year 2010.

## **Income Statement Analysis For the 3 Months Ended 31 March 2009:**

*Revenue:*
Total revenue increased by PhP24 million or 15% as compared to the same period last year. The increase is observed in all segments of the business mainly due to a strong economy resulting from the May 2010 national election.

Room revenue increased by Ph16.9 million or 20% as a result of higher occupancy. Occupancy showed an increase from 56% in year 2009 to 72% in year 2010. Average room rate showed a slight fall by 6% versus same period of last year. However, the higher occupancy more than offset the fall in average room rate. As mentioned earlier, the coming May 2010 national election helped to fuel the economy which in turns improved the hotel trading.

Food and Beverage ("F&B") division also registered a growth of PhP4.2 million in revenue or 8% compared to the same period of last year. Revenue growth is shown in all F&B outlets except casino. The biggest improvement is shown in Banquet department which showed an increase of PhP5 million or 50% over last year. This is mainly due to more meetings and events held in the hotel from government agencies in connection with the election.

*Cost of Sales:*
Cost of sales for F&B registered a slight increase as compared to last year which is consistent with the higher food and beverage revenue.

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

*Operating Expenses:*
Operating expenses include among others, payroll and related expenses, utilities, depreciation charges, rental and other fixed expenses. There is a decrease in operating expenses of PhP2.7 million or 2% as compared to the same period of last year. The main reason is lower expenses incurred under property operation and maintenance.

*Net Operating Income:*
This is derived after deducting operating expenses from gross operating profit. The favorable margin is due to higher revenue.

*Non-operating income:*
Total non-operating income decreased by PhP1.9 million as compared to the same period of last year. This is due to foreign exchange loss of PhP0.6 million as compared to last year a gain of PhP0.7 million. In addition, the Company also has lower interest income.

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

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

- Any seasonal aspects that had a material effect on the financial condition or results of operations.

Management is not aware of any event that may trigger direct or contingent financial obligations that is material to the Company, including any default or acceleration of an obligation. Management is not aware of any material off-balance sheet transaction, arrangement, obligation (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons that were created during the first 3 months of 2010.

## PART II – OTHER INFORMATION

Tax matter:

On 12 September 2008, the Company made a disclosure to the Philippine Stock Exchange and Securities and Exchange Commission via SEC 17-C report, regarding the pending tax assessment against the Company.

The Company filed on 12 September 2008 a surety bond with the Court of Tax Appeals ("**CTA**") in compliance with the condition imposed by the CTA in its Resolution dated 21 August 2008, granting the Company's Urgent Motion to Suspend Collection of Tax and Extremely Urgent Supplemental Motion to Suspend and Enjoin Collection of Taxes with Prayer for Immediate *Ex Parte* Issuance of Temporary Restraining Order.

With the filing of the surety bond, a Temporary Restraining Order came into effect enjoining the Bureau of Internal Revenue ("**BIR**") from, among other things, implementing (a) the Warrant of Distraint and/or Levy constructively served by the BIR on 11 August 2008 and (b) the Warrants of Garnishment issued by the BIR against the Company's bank accounts in the Philippines on 14 August 2008.

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

The Board of Directors of the Company has taken legal advice and, based upon such advice, is of the view that in light of the Supreme Court's decision in the case of *Commissioner of Internal Revenue v. Acesite (Philippines) Hotel Corporation (G.R. No. 147295, 16 February 2007)* which confirmed that PAGCOR's tax exemption privilege under its charter included the indirect tax of VAT and entitles persons dealing with

PAGCOR in casino operations to a zero percent (0%) VAT rate, the Company is not liable for the deficiency VAT claimed by the BIR and that the Company has strong defenses against the BIR's tax assessment.

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

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

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

On 4 September 2009, the CTA issued a Resolution granting the Company's FOE. On 5th October, the Company's counsel attended the hearing but the BIR counsel did not attend and case was reset to 12th November 2009.

On 12th November 2009, the Company's counsel again attended the hearing but the BIR counsel was not present. The Company moved for the BIR to be deemed to have waived their right to present evidence but the CTA denied the motion and instead reset the hearing to 26th November 2009.

On the 26th November 2009, BIR manifested that it is resting its case. Both parties were given until 25th January 2010 to file a Memorandum to support the legal issues.

On 29 January 2010, the Company's counsel received a copy of the Solicitor General's Memorandum for the Commissioner of Internal Revenue dated 22 January 2010 and filed with the CTA on 25 January 2010.

On 1 March 2010, the Company's counsel received a copy of the CTA Resolution promulgated on 23 February 2010, stating that the case (i.e., the Petition for Review) is now submitted for decision.

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

Financial Risk Exposure:

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

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

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

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

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

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

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

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

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

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

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

Credit Risk

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

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

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

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements.

Management closely monitors the Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

Market Risk

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

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

*Room Rates*

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

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

*Interest Rate Risk*

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

*Foreign Currency Risk*

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

The Company functional currency is Philippines peso. As at 31 March 2010, it holds bulk of its cash and cash equivalent in Philippines peso. The United States dollars are used to settle foreign obligations. As such, the Company does not have currency risk exposure.

The Company does not have any third party loans so it has no interest rate risk. The Company in the ordinary course of business extends credit to its customers. Exposure to credit risk is monitored on an ongoing basis, credit review being performed for clients requesting for credit limit. The total exposure to trade receivables as at 31 March 2010 is Peso34.6 million.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility. As at 31 March 2010, the Company has Peso644 million current assets and Peso394 million liabilities so the current assets are able to cover its liability.

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

The Company also does not invest in foreign securities.

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

| | 31 March 2010 | 31 March 2010 | 31 December 2009 | 31 December 2009 |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Cash and cash equivalents | 315,542,136 | 315,542,136 | 225,930,716 | 225,930,716 |
| Receivables net | 248,728,903 | 248,728,903 | 267,491,850 | 267,491,850 |
| Due from related party | 43,673,258 | 43,673,258 | 5,045,714 | 5,045,714 |
| Loan receivable | 15,500,000 | 15,500,000 | 15,500,000 | 15,500,000 |
| Lease deposit | 78,000,000 | 78,000,000 | 78,000,000 | 78,000,000 |
| Accounts payable & accrued expenses | 280,825,989 | 280,825,989 | 270,766,678 | 270,766,678 |
| Due to related party | 25,196,963 | 25,196,963 | 19,877,947 | 19,877,947 |

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

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

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

**GRAND PLAZA HOTEL CORPORATION**
**Balance Sheets**
**March 31, 2010**
*(with comparative figures for the year ended December 31, 2009)*
**(In Philippine Pesos)**

| ASSETS | Unaudited March 31, 2010 | Audited Dec. 31, 2009 |
|---|---|---|
| ***Current Assets*** | | |
| Cash and investments in short term notes | 315,542,136.07 | 225,930,716.49 |
| Accrued interest receivable | 359,297.22 | 274,500.95 |
| Accounts receivable - trade | 236,185,240.73 | 239,888,519.76 |
| Accounts receivable - others | 13,430,282.67 | 7,862,863.01 |
| Provision for bad debts | (1,245,916.00) | (568,223.00) |
| Deferred tax assets/(liabilities) | 14,703,062.18 | 6,360,601.47 |
| Advances to associated/related companies | 43,524,489.41 | 22,879,385.55 |
| Advances to immediate holding company | 148,769.32 | 56,112.00 |
| Inventories | 11,330,814.05 | 10,403,561.69 |
| Prepaid expenses | 2,891,311.04 | 4,312,834.54 |
| Creditable withholding tax | 1,045.39 | 11,900.04 |
| Other current assets | 7,595,300.86 | 12,509,426.01 |
| Advances to/from THHM | | (158,920.88) |
| *Total Current Assets* | *644,465,832.94* | *529,763,277.63* |
| ***Property and Equipment*** | *749,744,934.39* | *759,337,255.65* |
| ***Investment in Stock of Associated Company*** | *46,702,466.00* | *46,801,413.28* |
| ***Deposit on Lease Contract*** | *78,000,000.00* | *78,000,000.00* |
| ***Loans Receivable*** | *15,500,000.00* | *15,500,000.00* |
| **Other Assets** | | |
| Miscellaneous investments and deposits | 5,085,790.50 | 5,085,790.50 |
| Others | 1,010,000.00 | 1,010,000.00 |
| *Total Other Assets* | *6,095,790.50* | *6,095,790.50* |
| ***Total Assets*** | ***1,540,509,023.83*** | ***1,435,497,737.06*** |

**GRAND PLAZA HOTEL CORPORATION**
**Balance Sheets**
**March 31, 2010**
*(with comparative figures for the year ended December 31, 2009)*
**(In Philippine Pesos)**

| **LIABILITIES AND STOCKHOLDERS' EQUITY** | **Unaudited March 31, 2010** | **Audited Dec. 31, 2009** |
|---|---|---|
| ***Current Liabilities*** | | |
| Accounts payable | 225,054,567.14 | 217,427,602.45 |
| Accrued liabilities | 55,771,422.88 | 53,339,076.34 |
| Rental payable | 2,918,801.40 | 62,286.60 |
| Due to associated/related companies | 25,196,963.22 | 19,877,947.57 |
| Refundable deposit | 28,576,682.42 | 28,132,001.91 |
| Deferred rental - Pagcor & JIMEI | 23,658,035.06 | 1,718,563.78 |
| Income tax payable | 26,130,172.58 | 15,842,145.63 |
| Other current liabilities | 5,904,918.93 | 4,344,331.92 |
| Reserves | 1,200,374.82 | |
| *Total Current Liabilities* | *394,411,938.45* | *340,743,956.20* |
| ***Long - Term Liabilities*** | | |
| Reserves | | - |
| *Total Long - Term Liabilities* | - | - |
| ***Stockholders' Equity*** | | |
| Authorized - 115,000,000 shares in March 31, 2009 and December 31, 2008 at P10.00 par value per share | | |
| Paid - in Capital | 873,182,699.00 | 873,182,699.00 |
| Premium on capital stock | 11,965,903.78 | 11,965,903.78 |
| Paid-in capital in excess of par - Warrants | 2,691,613.81 | 2,691,613.81 |
| Treasury stock | (1,116,857,170.00) | (1,116,857,170.00) |
| Retained earnings - beginning | 1,323,770,734.27 | 1,185,453,458.51 |
| Net income for the period | 51,343,304.52 | 138,317,275.76 |
| *Total Stockholders' Equity* | *1,146,097,085.38* | *1,094,753,780.86* |
| ***Total Liabilities and Stockholders' Equity*** | ***1,540,509,023.83*** | ***1,435,497,737.06*** |

**GRAND PLAZA HOTEL CORPORATION**
**Income Statements**
**For the quarters ended March 31, 2010 and 2009**
**(In Philippine Pesos)**

| | Unaudited March 31, 2010 | Unaudited March 31, 2009 |
|---|---|---|
| **Revenue** | | |
| Rooms | 99,831,059.20 | 82,856,277.40 |
| Food & Beverage | 54,355,915.36 | 50,155,779.14 |
| Other Operated Depts. | 2,307,722.78 | 1,120,139.07 |
| Rental Income/Others | 26,151,839.11 | 24,424,334.68 |
| Total Revenue | 182,646,536.45 | 158,556,530.29 |
| **Cost of Sales** | | |
| Food & Beverage | 15,312,010.70 | 14,231,692.60 |
| Other Operated Depts. | 1,325,903.65 | 308,293.34 |
| Total Cost of Sales | 16,637,914.35 | 14,539,985.94 |
| **Gross Profit** | 166,008,622.10 | 144,016,544.35 |
| **Operating Expenses** | 95,813,094.58 | 98,570,189.58 |
| **Net Operating Income** | 70,195,527.52 | 45,446,354.77 |
| **Non-operating Income** | | |
| Interest Income | 2,021,019.47 | 2,265,416.02 |
| Dividend Income | | 74,150.00 |
| Gain/(Loss) on Disposal of Fixed Assets | | 825.00 |
| Exchange Gain/(Loss) | (661,894.92) | 739,871.90 |
| Share in Net Income/(Loss) of Associated Co. | (98,947.28) | 157,269.99 |
| **Total Non-Operating Income** | 1,260,177.27 | 3,237,532.91 |
| **Net Income/(Loss) Before Tax** | 71,455,704.79 | 48,683,887.68 |
| **Provision for Income Tax** | 20,112,400.27 | 13,966,881.39 |
| **Net Income/(Loss) After Tax** | **51,343,304.52** | **34,717,006.29** |
| ***Basic earnings per share*** | ***0.79*** | ***0.51*** |
| ***Dilluted earnings per share*** | ***0.79*** | ***0.51*** |

***Notes:***

In March 2010, total shares outstanding is 64,980,633 net of 22,337,637 treasury shares.
In March 2009, total shares outstanding is 67,664,512 net of 19,563,758 treasury shares.

**GRAND PLAZA HOTEL CORPORATION**
**Statements of Changes in Equity**
**For the quarters ended March 31, 2010 and 2009**
**(In Philippine Pesos)**

| | Unaudited March 31, 2010 | Unaudited March 31, 2009 |
|---|---|---|
| **Balance - beginning** | **1,094,753,780.86** | **1,090,630,455.10** |
| Net income for the period | 51,343,304.52 | 34,717,006.29 |
| Dividends | - | - |
| Retirement of shares | - | - |
| Buyback of shares | - | - |
| ***Balance - end*** | ***1,146,097,085.38*** | ***1,125,347,461.39*** |

**GRAND PLAZA HOTEL CORPORATION**
**Cash Flow Statements**
**For the quarters ended March 31, 2010 and 2009**
**(In Philippine Pesos)**

| | Unaudited 31-Mar-10 | Unaudited 31-Mar-09 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income | 51,343,304.52 | 34,717,006.29 |
| Adjustments to reconcile net income to net cash | | |
| provided by operating activities | | |
| Depreciation and amortization | 9,857,906.08 | 9,943,997.15 |
| Equity in net income of associated company | 98,947.28 | (157,269.99) |
| Provision for bad debts | 1,245,916.00 | 637,624.00 |
| Changes in operating assets and liabilities | | |
| (Increase) decrease in | | |
| Accrued interest receivable | (84,796.27) | (26,842.16) |
| Accounts receivable - trade | 3,135,056.03 | 1,521,444.58 |
| Accounts receivable - others | (5,567,419.66) | (662,407.75) |
| Deferred income tax | (8,342,460.71) | (909,779.24) |
| Advances to associated/related companies | (20,645,103.86) | (3,267,208.01) |
| Advances to immediate holding company | (92,657.32) | (463,476.80) |
| Inventories | (927,252.36) | (1,090,568.12) |
| Prepaid expenses | 1,421,523.50 | 3,662,313.38 |
| Creditable withholding tax | 10,854.65 | 248,039.57 |
| Other current assets | 4,914,125.15 | (1,611,288.24) |
| Advances to/from THHM | (158,920.88) | |
| Increase (decrease) in | | |
| Accounts payable | 7,626,964.69 | (9,650,542.53) |
| Accrued liabilities | 2,432,346.54 | 1,138,350.82 |
| Rental payable | 2,856,514.80 | 2,856,514.80 |
| Due to associated companies | 5,319,015.65 | 2,870,437.66 |
| Refundable deposit | 444,680.51 | 6,513,511.71 |
| Deferred rental - Pagcor | 21,939,471.28 | - |
| Income tax payable | 10,288,026.95 | (6,536,071.95) |
| Other current liabilities | 1,560,587.01 | (715.04) |
| Reserves | 1,200,374.82 | 1,060,305.32 |
| | 89,877,004.41 | 40,793,375.45 |
| **Cash flows from investing activities** | | |
| Acquisition of property and equipment - net | (265,584.82) | |
| | (265,584.82) | - |
| **Cash flows from financing activities** | | |
| | - | - |
| **Net increase in cash and short-term notes** | 89,611,419.59 | 40,793,375.45 |
| **Cash and short-term notes, Beginning** | 225,930,716.49 | 180,473,346.18 |
| **Cash and short-term notes, Ending** | **315,542,136.08** | **221,266,721.63** |

**Grand Plaza Hotel Corporation**

**<u>Aging Report As At 31 March 2010</u>**

| Customer Type | 0 to 8 days | 9 to 30 days | 31 to 60 days | 61 to 90 days | 91 to 120 days | Over 120 days | Total | % |
|---|---|---|---|---|---|---|---|---|
| Airlines | 420,633 | 1,003,503 | 123,167 | 758,351 | | | 2,305,654 | 6.66% |
| Credit card | 1,795,097 | | | | | | 1,795,097 | 5.18% |
| PAGCOR | 2,166,684 | 6,322,138 | 2,770,952 | 64,543 | | 41,471 | 11,365,788 | 32.82% |
| Individual - local | | | | | | | - | 0.00% |
| Company - local | 1,106,354 | 3,257,882 | 3,340,567 | 680,104 | 779,274 | 1,162,073 | 10,326,254 | 29.82% |
| Overpayment | (75,157) | (35,008) | (56,829) | (81,296) | (58,727) | (425,622) | (732,639) | -2.12% |
| Permanent accounts | 37,510 | 11,246 | 3,340 | 9,900 | | | 61,996 | 0.18% |
| Embassy & government | 1263421 | 90,090 | | | | | 1,353,511 | 3.91% |
| Travel Agent - Local | 445,396 | 4,190,950 | 986,640 | 15,435 | (3,912) | | 5,634,509 | 16.27% |
| Temporary credit | 301,825 | 215,828 | 529,491 | | | | 1,047,144 | 3.02% |
| Travel Agent - Foreign | 736,122 | 655,499 | 5,235 | 73,436 | | | 1,470,292 | 4.25% |
| **TOTAL** | 8,197,885 | 15,712,128 | 7,702,563 | 1,520,473 | 716,635 | 777,922 | 34,627,606 | 100.00% |
| **%** | 23.67% | 45.37% | 22.24% | 4.39% | 2.07% | 2.25% | 100.00% | |