General Announcement::Announcement by Subsidiary Company, Grand Plaza Hotel Corporation

Issuer & Securities

Issuer/ Manager	CITY DEVELOPMENTS LIMITED
Securities	CITY DEVELOPMENTS LIMITED - SG1R89002252 - C09
Stapled Security	No

Announcement Details

Announcement Title	General Announcement
Date & Time of Broadcast	10-Feb-2015 19:12:16
Status	New
Announcement Sub Title	Announcement by Subsidiary Company, Grand Plaza Hotel Corporation
Announcement Reference	SG150210OTHRVAXJ
Submitted By (Co./ Ind. Name)	Enid Ling Peek Fong
Designation	Company Secretary
Description (Please provide a detailed description of the event in the box below)	Please refer to the announcement issued by Grand Plaza Hotel Corporation on 10 February 2015 relating to Full Year Results for the Year Ended 31 December 2014.

Attachments	GrandPlaza_SECForm17A_with2014AuditedFS.pdf Total size =1785K

FOREIGN SERVICE OF THE
REPUBLIC OF THE PHILIPPINES

EMBASSY OF THE PHILIPPINES)
Consular Section) S.S.
Singapore)

CERTIFICATE OF AUTHENTICATION

I, **J. ANTHONY A. REYES** Consul of the Republic of the Philippines in Singapore, duly commissioned and qualified, do hereby certify that

HO SUK TSING LESLIE

before whom the annexed instrument has been executed, to wit:

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

was at the time he/she signed the same **NOTARY PUBLIC** and that his/her signature affixed thereto is genuine.

The Embassy assumes no responsibility for the contents of the annexed instrument.

IN WITNESS HEREOF, I have hereunto set my hand and affixed the seal of the Embassy of the Philippines in Singapore this day of **3 February 2015**.

Service No.: 01089
O.R. No. : 107808
Fee Paid : $42.50

J. ANTHONY A. REYES
Consul

"Validity of this Certification shall follow the validity of the attached / underlying document."

NOTARIAL CERTIFICATE

TO ALL TO WHOM THESE PRESENTS SHALL COME

I, **HO SUK TSING LESLIE** Notary Public duly authorised and appointed practising in the Republic of Singapore **DO HEREBY CERTIFY AND ATTEST** that the document "**SEC FORM 17-A**" dated 2 February 2015 hereunto attached was signed and executed by **WONG HONG REN** 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 2nd day of February 2015.

NOTARY PUBLIC
Ho Suk Tsing
Leslie
NP2014/0109
1 Apr 2014 – 31 Mar 2015
SINGAPORE

FOREIGN SERVICE OF THE
REPUBLIC OF THE PHILIPPINES

EMBASSY OF THE PHILIPPINES)
Consular Section) S.S.
Singapore)

CERTIFICATE OF AUTHENTICATION

I, **J. ANTHONY A. REYES** Consul of the Republic of the Philippines in Singapore, duly commissioned and qualified, do hereby certify that

HO SUK TSING LESLIE

before whom the annexed instrument has been executed, to wit:

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

was at the time he/she signed the same **NOTARY PUBLIC** and that his/her signature affixed thereto is genuine.

The Embassy assumes no responsibility for the contents of the annexed instrument.

IN WITNESS HEREOF, I have hereunto set my hand and affixed the seal of the Embassy of the Philippines in Singapore this day of **3 February 2015**.

Service No.: 01088
O.R. No. : 107808
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NOTARIAL CERTIFICATE

TO ALL TO WHOM THESE PRESENTS SHALL COME

I, **HO SUK TSING LESLIE** Notary Public duly authorised and appointed practising in the Republic of Singapore **DO HEREBY CERTIFY AND ATTEST** that the document "**STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**" hereunto attached was countersigned and executed by **WONG HONG REN** 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 2nd day of February 2015.

NOTARY PUBLIC
Ho Suk Tsing
Leslie
N2014/0100
1 Apr 2014 – 31 Mar 2015
SINGAPORE

3 February 2015

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, 2014, 2013 and 2012. 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.

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 2nd day of February 2015, 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

NOTARY PUBLIC
Ho Suk Tsing
Leslie
N2014/0100
1 Apr 2014 – 31 Mar 2015
SINGAPORE

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Series of 2015

GRAND PLAZA HOTEL CORPORATION

3 February 2015

Statement of Management's Responsibility For Financial Statements

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

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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 PASAY CITY this ______ day of 03 FEB 2015 2015, 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	PP# E3384874K	Sept. 7, 2012	Singapore

ATTY. DICKSON C. AYON AYON
NOTARY PUBLIC
UNTIL DECEMBER 31, 2015
ROLL NO. 52560/1/5/15
IBP NO. 920795/1/5/15
PTR NO. 8333137/1/5/15
PASAY CITY

Doc. No. 142
Page No. 29
Book No. I
Series of 2015

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 PASAY CITY this ______ day of 03 FEB 2015 2015, 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	PP# E3384874K	Sept. 7, 2012	Singapore

ATTY. DICKSON C. AYON
NOTARY PUBLIC
UNTIL DECEMBER 31, 2015
ROLL NO. 52560 /1/5/15
IBP NO. 920795/1/5/15
PTR NO. 8333137/1/5/15
PASAY CITY

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Page No. 29
Book No. I
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Eddie Yeo Ban Heng
Director & Vice President

Subscribed and sworn to before me a notary public for and in the City of PASAY CITY this 05 FEB 2015 day of ______ 2015, 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	PP#A24603263	July 8, 2011	Singapore

Notary Public
ATTY. DICKSON C. AYON AYON
NOTATY PUBLIC
UNTIL DECEMBER 31, 2015
ROLL NO. 52560/1/5/15
IBP NO. 920795/1/5/15
PTR NO. 8333137/1/5/15
PASAY CITY

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Series of 2015.

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SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632)726-0931 to39 Fax:(632)725-5293 Email: mis@sec.gov.ph

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Company Representative

Doc Source

Company Information

SEC Registration No.	0000166878
Company Name	GRAND PLAZA HOTEL CORPORATION DOING BUSINESS U-NDER THE NAME OF THE HERITAGE HOTEL MANILA
Industry Classification	
Company Type	Stock Corporation

Document Information

Document ID	102102015001237
Document Type	17-A (FORM 11-A:AANU)
Document Code	17-A
Period Covered	December 31, 2014
No. of Days Late	0
Department	CFD
Remarks	with FS (Dec. 31, 2014)

COVER SHEET

166878

S.E.C Registration Number

Grand Plaza Hotel Corporation

(Company's Full Name)

c/o 12th Floor Net One Center, 26th Street corner 3rd Avenue

Crescent Park West Bonifacio Global City

Alain Charles J. Veloso

Contact Person

+63 2 8194700

Company Telephone Number

SEC Form 17-A

FORM TYPE

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

Remarks = pls. Use black ink for scanning purposes

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 2014

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

4. Exact name of issuer as specified in its charter GRAND PLAZA HOTEL CORPORATION ("Company")

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

6. (SEC Use Only)
Industry Classification Code:

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

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

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

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

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

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

Yes [x] No [ ]

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

Stock Exchange : Philippine Stock Exchange
Securities : Common Shares

12. Check whether the issuer:

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

Yes [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 8 January 2015 is PhP24 and the total voting stock held by non-affiliates of the Company is 7,334,289. Therefore, the aggregate market value of the voting stock held by non-affiliates of the Company is PhP176,022,936.

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 2014, the Company reported a net profit after tax of about PhP0.393 million as against PhP85 million in 2013 and PhP165 million in 2012.

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, Dusit Thani Hotel, and Sofitel 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	0.71	0.64
Diamond Hotel	1.07	0.98	1.04
Traders	0.98	0.76	0.75
Pan Pacific	1.12	1.22	1.37
Sofitel Hotel	0.98	1.24	1.22

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 Distribution and Charles Seafood Supply Branch.

Dependence on Single Customer

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

Related Party Transactions

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

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

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

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

Policy on Related Party Transactions

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

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

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

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

No disclosure is needed for any transaction where:

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

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

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

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

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

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

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

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

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

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

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

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

Patents, Trademarks, Etc.

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

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

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

Government Approval and Regulation

The hotel applies for Department of Tourism ("DOT") accreditation annually. The accreditation is based on the 2012 Rules and Regulations to Govern the Accreditation of Accommodation Establishments of the DOT. The DOT inspects the hotel to determine whether the hotel meets the criteria of the DOT. The DOT accredited the hotel and the Company for the year 2014.

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 334 employees during the year 2014. Out of the 334 employees, 192 are regular employees and 142 are casual employees.

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

	REGULAR	CASUAL	TOTAL
Hotel Operating Staff (All operating dept)	132	131	263
Management/Admin/Security (A&G Dept)	27		27
Sales & Marketing	11	3	14

Repairs & Maintenance	22	8	30
Total	192	142	334

Barring any unforeseen circumstance, for the year 2015, the Company will maintain more or less the same number of employees as in year 2015.

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

ITEM 2. PROPERTIES

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

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

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

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

ITEM 3. LEGAL PROCEEDINGS

(1) 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 PhP228.94 million, inclusive of penalty and interest from January 2003 to December 2006. The Company subsequently filed a petition for review with the Court of Tax Appeal ("CTA") to contest such Final Decision on Disputed Assessment.

The BIR further 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 issued a Temporary Restraining Order enjoining the BIR from further efforts at collection of taxes, 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 issue of whether or not the services rendered by the Company to PAGCOR is subject to VAT at 10% rate. The CTA granted the motion and hearings were subsequently conducted. On 18 February 2011, the CTA ruled in favor of the Company and cancelled the VAT deficiency assessment *in toto*.

As mentioned in the CTA Resolution, in line with the decision of the Supreme Court in *Commissioner of Internal Revenue v. Acesite (Philippines) Hotel Corporation, G.R. no. 147295, 16 February 2007,* the CTA, in its decision dated 18 February 2011, cancelled the BIR's assessment against the Company for deficiency VAT in the amount of PhP228,943,589.15 for taxable years 1996 to 2002. 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. The BIR shortly filed an appeal with the CTA En Banc.

On 1 September 2011, the CTA En Banc resolved to give course to BIR's appeal. The Company filed its Memorandum in October 2011. On 27th July 2012, the CTA En Banc resolved that consistent with the pronouncement of the Supreme Court in the cases of *CIR vs. Acesite Hotel Corporation* and *PAGCOR vs. CIR (G.R. no. 172087, 15 March 2011)* that services rendered to PAGCOR are exempt from VAT, CIR's petition has no leg to stand on and must necessarily fall. The BIR subsequently filed a Motion for Reconsideration.

On 8th October 2012, the CTA En Banc resolved that BIR's Motion for Reconsideration is denied and the earlier decision of the CTA promulgated on 17th May 2011 is affirmed. On 5th December 2012, BIR filed with the Supreme Court a Petition for Review. As at the date of this report, the Petition for Review is still pending with the Supreme Court.

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

In a Notice dated 8 October 2014, the Supreme Court declared the petitioner's (BIR) Manifestation and Motion dated 11 April 2014 as unsatisfactory compliance with its Resolution dated 28 January 2013, and the Supreme Court further gave a grace period of 5 days for the BIR to comply.

On 16 December 2014, the Company filed a Manifestation and Motion to Dismiss the Petition of the BIR for non-compliance with the jurisdictional requirements. As at 12 January 2015, the Company has not received any further notices or directives from the Supreme Court.

(2) In the meeting of the Board of Directors of Grand Plaza Hotel Corporation ("**Corporation**") ("**Board**") on 27 October 2014, the Board approved management's action to continue pursuing administrative remedies with the Bureau of Internal Revenue ("**BIR**") in respect of the BIR's tax assessment on the Corporation for the year 2008 ("**Tax Assessment**").

The above actions will seek BIR to re-investigate the Tax Assessment and review the Collection Letter that the Corporation received from the BIR on 12 December 2013. As far as the Corporation is aware, the Collection Letter was issued by the BIR in connection with a Formal Letter of Demand for alleged deficiency income tax, value added tax, expanded withholding tax, withholding tax on compensation and documentary stamp tax for the year 2008, in the aggregate amount of PhP508,101,387.12 consisting of

PhP262,576,825.03 for basic tax, and interest of PhP245,524,562.09 from 20 January 2009 to 30 September 2013.

In another meeting of the Board held on 3 February 2015, the Board directed its tax counsel to study further remedies in connection with the Corporation's receipt on 7 November 2014, of the denial by the BIR of the Corporation's request for the reinvestigation / recomputation of alleged tax liability arising from the BIR's tax assessment on the Corporation for the year 2008 ("Tax Assessment.

The Corporation's tax counsel is studying further administrative and/or legal remedies in respect of the Tax Assessment.

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 15 May 2014 annual stockholders' meeting, the following were elected as directors of the Company:

Wong Hong Ren;
Eddie Lau;
Bryan Cockrell;
Eddie Yeo;
Mia Gentugaya; (independent director)
Angelito Imperio; (independent director) and
Michele Dee Santos[1]

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.

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[1] Michele Dee-Santos resigned as a member of the Board of Directors effective 10 October 2014. As disclosed previously by the Corporation, the reason for Ms. Dee-Santos' resignation is that she has been given other assignments by RCBC Trust & Investments Division ("RCBC Trust"). Ms. Dee-Santos represented the shares held by RCBC Trust in the Corporation. Ms. Dee-Santos was also a member of the Audit Committee and Nomination Committee of the Corporation.

The following are the high and low share prices of the Company for the year 2014 and 2013:

Amount in Peso:

	HIGH	LOW	HIGH	LOW
	Year 2014	Year 2014	Year 2013	Year 2013
First Quarter	45	45	No movement	No movement
Second Quarter	70	38	No movement	No movement
Third Quarter	51.5	41	No movement	No movement
Fourth Quarter	35.5	25	No movement	No movement

The last recorded trade of the shares of the Company during the fiscal year covered by this report occurred on 11 October 2014. The share price was PhP25.

Holders of Securities

The Company has only one class of shares, i.e., common shares. The total outstanding common shares as of 31 December 2014 is 87,318,270 inclusive of 33,600,901 treasury shares.

As of 31 December 2014, the number of shareholders of the Company is 497.

The list of the top 20 shareholders is as follows:

	NAME OF SHAREHOLDER	**NO. OF SHARES**	**% OF SHAREHOLDING (INCLUSIVE OF TREASURY SHARES)**
01	Grand Plaza Hotel Corp – Treasury stocks	33,600,901	37.35%
02	The Philippine Fund Limited	28,655,932	33.43%
03	Zatrio Pte Ltd	17,727,149	20.68%
04	PCD Nominee Filipino	6,543841	7.64%
05	PCD Nominee Non-Filipino	231,323	0.26%
06	Alexander Sy Wong	34,505	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	4,713	<0.01%
12	Natividad Kwan	3,983	<0.01%
13	Yam Kit Sung	2,999	<0.01%
14	Le Ying Tan-Lao	2,749	<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 Uy	1,000	<0.01%
20	Rolando Umali	1,000	<0.01%
	Total	86,847,177	99.45%

Dividends

No dividends were declared for FY2014 and FY2013.

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:

	2014	2013	2012
Current ratio (Solvency ratio)	**1.84**	1.88	1.93
Debt/Equity	**0.41**	0.35	0.37
Assets/Equity	**1.41**	1.36	1.37
Profit before tax margin ratio	**0.8%**	21.24%	34.06%
Interest rate coverage ratio	**NA**	NA	NA

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

Current ratio is derived by dividing the current assets with the current liabilities. This indicator measures the liquidity of the Company in the short-term. The current ratio has reduced during the year of review mainly due higher current liabilities. Current liabilities increase mainly due to a new PhP23 million security deposit from a potential tenant. Current assets have also increased versus same period last year.

Debt to equity ratio measures a company financial leverage. It is derived by dividing total liabilities over equity. This ratio increased by 0.06 as a result of higher liabilities and lower equity. Lower equity is due to higher profit for the year.

Assets/Equity ratio measures the proportion of equity used to finance assets of the company and it is derived by dividing total assets to equity. Total assets increased versus same period of last year mainly due to higher cash balances.

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 significantly lower this year due to the fact that the Company does not have any more rental income from a major tenant, PAGCOR since end of June 2013.

Interest rate coverage ratio measures how easily a company can pay interest outstanding debts. It is calculated by dividing earnings before interest and tax over interest expense. The Company has no loans to third parties or related parties and as such, it has no interest expenses.

Management is not aware of:

a. Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way. The Company is not having or anticipate having within the next 12 months any cash flow or liquidity problems; and the Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments. There is no significant amount of the Company's trade payables that have not been paid within the stated trade terms.

b. Any events that will trigger direct or contingent financial obligations that is material to the Company, including any default or novation of an obligation.

c. All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

d. There are no material commitments for capital expenditures.

e. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described.

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

Results of Operations:

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

YEAR	REVENUE – PHP'000	NIAT – PHP'000
2014	466,947	393
2013	582,653	85,576
2012	687,318	165,476

2014 Results of Operations

For the year 2014, the Company reported revenue of PhP466.9 million compared with PhP582.6 million in 2013. Revenue recorded a fall of PhP115.7 million (19.8%) mainly due to drop in rooms, food and beverage ("F&B") and rental income as compared to 2013. Due to the fall in revenue, profit after tax for 2014 was only PhP0.393 million versus PhP85.5 million. In terms of EBITDA (Earnings before income tax, depreciation and amortization) for 2014 was PhP20.7 million versus PhP145.1 million in 2013.

Revenue:
Rooms revenue decreased from PhP336 million to PhP312 million or PhP24 million (7%). The main reason for the drop in room revenue is fall in occupancy from 66% to 62% while Average Room Rate fell by 2% from PhP3,101 to PhP3,035. The newer hotels in the Bay Area such as Solaire and the Resort World Hotels pose competition to the hotel. In addition, for the full year 2014, the Company does not have PAGCOR which contribute certain room nights to the hotel.

Food and Beverage (F&B) revenue registered a fall from PhP158 million to PhP141 million or PhP17 million (10%). The negative variance is mainly due to the closure of PAGCOR operated casino in the hotel in July 2013. The hotel is able to increase its revenue for Riviera by PhP3.3 million against prior year to offset the lost of revenue from casino operaion.

Others revenue consist mainly rental income and this segment fell by PhP73 million (90%) due to the closure of PAGCOR operated casino in July 2013.

Cost of sales:
Total cost of sales dropped by PhP3.4 million (5%) which is consistent with the lower F&B and other operated department revenue for the year.

Gross Profit:
Gross profit showed a drop by PhP112.2 million (21%) due to lower revenue.

Selling Expenses:
Selling expenses consist of property operation, maintenance, energy and conservation, salaries, transport charges and commission. As compared to the prior year, there is a decrease of PhP2.9 million (25%). Hotel is able to implement energy saving measures which helped to save 4.7%

energy cost versus 2013. Hence even with lower business, the hotel is able to maintain a lower overhead.

Administrative Expenses:
Administrative expenses mainly consist of management and incentive fees, salaries, credit card commission and dues and subscription. There is an increase of PhP17 million (8%) compared to last year and part of the increase is higher sales and marketing expenses for the year.

Other income/(expenses):
There is an increase from PhP14.9 million to PhP22.0 million or 47% as during the year 2014, the company reversed an accrual which is no longer required.

Income Tax Expense:
Income tax expense decreased by PhP34 million due to significantly lower profit before tax.

2013 Results of Operations

For the year 2013, the Company reported revenue of PhP582.6 million compared with PhP687.3 million in year 2012. Revenue dropped by PhP104.7 million (15%) while profit after tax decreased by PhP79.8 million (48%) versus prior year.

Revenue:
Rooms revenue decreased from PhP353 million to PhP336 million or PhP17 million (4%). The hotel managed to increase its occupancy from 64% to 66%, however, Average Room Rate (ARR) was lowered from PhP3,317 to PhP3,101 in order to compete. There are more new hotels in the market and the hotel has to reduce its ARR in order to attract guests.

Food and Beverage (F&B) revenue registered a fall from PhP183 million to PhP158 million or PhP25 million (13%). The negative variance is mainly due to the closure of PAGCOR operated casino in the hotel in July 2013. The hotel is able to increase its revenue for Riviera by PhP2 million against prior year and also banquet has increased its revenue by PhP2 million.

Other Operated Departments revenue decreased by PhP2.5 million (27%) from prior year

Others revenue consist mainly rental income and this segment fell by PhP60 million (42%) due to the closure of PAGCOR operated casino in July 2013.

Cost of sales:
Total cost of sales dropped by PhP5.3 million (8%) which is consistent with the lower F&B revenue for the year.

Gross Profit:
Gross profit showed a drop by PhP99.2 million (15%) due to lower revenue.

Selling Expenses:
Selling expenses consist of property operation, maintenance, energy and conservation, salaries, transport charges and commission. As compared to the prior year, there is a drop of PhP3.4

million (1.6%). The decrease is mainly from lower headcount and as such, payroll cost has reduced.

Administrative Expenses:
Administrative expenses mainly consist of management and incentive fees, salaries, credit card commission and dues and subscription. There is an increase of PhP18 million (10%) compared to last year and part of the increase is in payroll cost for sales and marketing as hotel has managed to fill up some vacant positions this year.

Other income/(expenses):
There is an increase from PhP11.1 million to PhP14.9 million or 34% as there is an exchange gain of PhP7 million in this year versus last year of PhP1.5 million.

Income Tax Expense:
Income tax expense decreased by PhP30.3 million or 44% due to lower profit for the year.

Net Income After Tax:
Net income after tax fell from PhP165 million to PhP85 million as a result of lower revenue for the year.

2012 Results of Operations

For the year 2012, the Company registered a drop in revenue by PhP31.5 million (4.3%) as compared to the same period of last year. Net income after tax recorded a fall of PhP10.5 million (6%) relative to prior year.

Revenue:
Room revenue decreased from PhP367.7 million to PhP353.1 million or 3.8%. The fall in room revenue is mainly due to drop in occupancy from 67% in 2011 to 64% in 2012. As a result, Revenue Per Available Room (Revpar) also decreased by 4%. The unfavorable variance is due to the corporate segment but offset by the increase in package segment.

Food and Beverage (F&B) division also showed a fall in revenue from PhP202.8 million to PhP183 million or 9%. The 3 revenue centers, Riviera Café, Casino and Banquet registered the fall in revenue. With the opening of the Resort World Casino Manila, it drew away the regular casino players in the Hotel. .

Others consisting mainly of rental from a tenant increased from PhP136.8 million to PhP141.8 million or 3.5% due to higher rental and a new tenant.

Cost of sales:
Total cost of sales does not show any material variance as compared to prior year.

Gross Profit:
Gross profit showed a drop by PhP30.8 million or 4.7% due to lower revenue.

Selling Expenses:
Selling expenses consist of property operation, maintenance, energy and conservation, salaries, transport charges and commission. As compared to the prior year, there is an increase from PhP213.6 million to PhP217.8 million or PhP4.1 million (1.9%). The variance is attributable to increase in salaries and property operation, maintenance, energy and conservation.

Administrative Expenses:
Administrative expenses mainly consist of management and incentive fees, salaries, credit card commission and dues and subscription. There is a drop from PhP196.8million to PhP181.3 million and this is attributable to the lower management and incentive fees which is consistent with the lower hotel revenue and gross operating profit for the year.

Other income/(expenses):
There is an increase from PhP7.5 million to PhP11.1 million or 47% as there is an exchange gain of PhP1.5 million in this year versus last year with a loss of PhP2 million.

Income Tax Expense:
Income tax expense decreased by PhP5.3 million or 7.2% due to lower profit for the year.

Net Income After Tax:
Net income after tax fell from PhP176 million to PhP165 million as a result of lower revenue for the year.

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
2014	1,354,310	399,328
2013	1,363,125	357,905
2012	1,445,249	382,109

2014 Financial Conditions

Total assets for the year 2014 decreased marginally from PhP1.363 billion to PhP1.354 billion while total liabilities increased by PhP42 million (11%) due to higher liabilities such as security deposits due to tenants and higher retirement benefits.

Assets:
- Cash and cash equivalents: This balance consists of cash and fixed deposits placed with banks. There is an increase of PhP31.2 million (15%) compared to the same period of last

year. Although the Hotel trading in 2014 is down significantly, the Company is still cash flow positive. The increase is due to a new security deposit from a potential tenant of PhP23 million and offset by the payment to shareholders in second half of 2014 for share buyback exercise amounting to PhP49.2 million.

- Receivables net: This balance fell from PhP322 million to PhP304 million which is consistent with the lower revenue of the Company.

- Due from related parties: There is a significant drop in this balance as the related companies have settled their outstanding balance to the Company at year end.

- Prepaid expenses and other current assets: This mainly consists of prepaid input value added tax, insurance premiums, dues and subscription. The drop is mainly in prepaid income tax and input taxes given the reduced in revenue of the Company for this year versus last year.

- Property and equipment net: There is a fall in this balance by PhP22.9 million (3.5%) as a result of depreciation charges for the year offset by addition to fixed assets of PhP13 million.

- Investment in associate: Compared to the prior year, this balance increased by PhP1.7 million (3.6%) due to the improvement in the results of the associate and as such, the company recognized a profit on the share in income of associate.

- Deferred tax assets: This balance mainly pertains to deferred tax recognized for retirement benefits, exchange gain/loss and impairment of receivables. There is an increase of PhP6.8 million (122%) as there was a deferred tax on the impairment of receivables, increase in retirement benefits and lower actuarial gain this year.

Liabilities and Equity:

- Due to related parties: Compared to last year, the balance has increased from PhP2.1 million to PhP6 million as Company has not settled its obligations with the related companies. This will be settled in first quarter of 2015.

- Income tax payable: There is an income tax payable as at end of 2014 of PhP1.8 million versus zero in 2013 even though Company has lower profit before tax as the Company has higher non-tax deductible items this year.

- Refundable deposit: This balance consists mainly of deposits from customers and tenants. Compared to last year, there is an increase of PhP26.9 million as there was a new security deposit of PhP23 million from a potential tenant which is in the process of negotiation with the Company.

- Accrued retirement benefits liability: The Company accrued for retirement benefits liability in accordance to the actuarial valuation yearly. There is an increase in accrual from PhP21.9 million to PhP26.6 million this year as in 2013, there was an experience adjustment of negative PhP2 million while the experience adjustment for 2014 was lower.

- Treasury stock: Compared to the same period of last year, this balance increased by PhP49.2 million due to the share buyback exercise conducted during the year 2014.

2013 Financial Conditions

Total assets for the year 2013 decreased by PhP82 million (5%) relative to the same period of last year. Total liabilities also decreased by PhP24 million (6%) versus last year same period.

Assets:

- Cash and cash equivalents: This balance consists of cash and fixed deposits placed with banks. There is a decrease of PhP76 million (27%) compared to the same period of last year. This is mainly due to payment of share buyback exercise amounting to PhP142 million in second half of 2013 and lower revenue.

- Receivables net: This balance increased by PhP18 million over same period last year due to increase receivables from a major tenant.

- Prepayments and other current assets: The increase of PhP3.8 million over prior year is due to increase in input value added tax and some prepaid expenses.

- Property and equipment – net: This balance decreased by PhP23 million which is mainly due to depreciation charges for the year.

- Deferred tax assets: This balance decreased mainly due to lower balance for retirement benefits.

Liabilities and Equity:

- Accounts payable and accrued expenses: This balance dropped by PhP4.2 million compared with prior year and this is mainly due to lower trade payables which is consistent with the lower revenue.

- Due to related parties: There is repayment to related parties at year end for outstanding balances and as such, this balance dropped by PhP4.7 million compared to the same period of last year.

- Income tax payable: Due to lower profit and the Company has sufficient creditable withholding tax, income tax payable is zero balance for last quarter.

- Refundable deposits: This represents deposits given by tenants to the Company for lease of space. There is a reduction of PhP2.1 million versus last year due to refund of certain deposit to a tenant.

- Accrued retirement liability: This balance represents accrual for retirement liability for employees in accordance to the acturial report by valuer. This balance decreased PhP1.5 million relative to same period of last year.

- Treasury stock – There is an increase in treasury stock by PhP142 million versus last year and this is a result of the share buyback in 2013.

2012 Financial Conditions

Total assets for the year 2012 decreased by PhP78 million or 5% versus the same period last year. Total liabilities decreased by PhP5.2 million or 1.3%. The main decrease in assets is due to lower cash position.

Assets:

- Cash and cash equivalents: This balance consists of cash and fixed deposits placed with banks. There is a drop from PhP354.3 million to PhP282.6 million as a result of share buyback and cash dividend payments during the FY2012. The Company paid out PhP178.3 million in total for both dividends and share buyback.

- Receivables – net: There is an increase in this balance by PhP16 million (5%) The increase is mainly due to increase in VAT due from PAGCOR and also advances to contractor in connection with a renovation project.

- Due from related parties: In the normal course of business, the Company advances to its related companies for working capital purpose. There is a drop in the balance from PhP3.1 million to PhP1.1 million due to the related companies have settled their outstanding balances to the Company as at year end.

- Inventories: Inventories consist of food, general supplies, beverage and tobacco, engineering supplies. The increase in this balance by PhP1.9 million is due to increase in food inventory.

- Prepayments and other current assets: This balance consists of input value-added tax and prepaid expenses which are mainly insurance premium. There is an increase in balance by PhP1.1 million.

- Property and equipment – net: This balance decreased by PhP25.6 million (3%) and is attributable to the net effect of depreciation, disposal of fixed assets and addition of fixed assets during the year. Depreciation charges for the year is PhP38 million.

- Deferred tax assets: Deferred tax assets consist of retirement liability, deferred rental income, allowance for impairment loss on receivables and foreign exchange gain/loss. The increase in balance by PhP1.8 million (18%) is due to higher retirement liability.

- Liability and Equity:
- Accounts payable and accrued expenses: This account consists mainly of trade payables, accrued payroll and accrued utilities. There is a decrease in accrued trade payables by PhP10.6 million (16%) due to lesser volume of business for this year.

- Income tax payable: Income tax payable fell by PhP5.1 million (25%) and this is consistent with the lower profit for this year.

- Due to related parties: There is a drop in this balance by PhP12.4 million (64%) and is because the Company has repaid some outstanding payables to its related companies.

- Other current liabilities: This balance consists of output VAT payable, deferred rental and withholding taxes payable. The increase in balance by PhP9 million (4%) is due to higher output VAT payables.

- Accrued retirement liability: There is an increase in PhP2.7 million (8%) due to provision for retirement liability for the year 2012.

- Refundable deposit: This balance is mainly for security deposits placed by tenants with the Company. The increase in balance by PhP3.5million (13%) is due to the deposit of a new tenant.

- Treasury stock: This pertains to the share buyback exercise conducted during the year. On 25th June 2012, the Board approved a share buyback exercise of 1 share for every 25 shares and at PhP50 per share.

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	63
Bryan Cockrell	Director	American	No relation	67
Eddie Lau	Director	British	No relation	59
Angelito Imperio	Independent Director	Filipino	No relation	75
Mia Gentugaya	Independent Director	Filipino	No relation	63
Eddie Yeo Ban Heng	Director / Vice-President / Assistant Compliance Officer / General Manager of The Heritage Hotel Manila	Malaysian	No relation	67
Yam Kit Sung	General Manager of the Company / Chief Finance Officer / Compliance Officer / Chief Audit Executive	Singaporean	No relation	44
Catherine Serrano	Director of Finance / Member The Heritage Hotel Manila Management Executive Committee	Filipino	No relation	43
Geraldine Nono Gaw	Director of Marketing / Member The Heritage Hotel Manila Management Executive Committee	Filipino	No relation	47
Maria Christina J. Macasaet-Acaban	Corporate Secretary	Filipino	No relation	41
Alain Charles J. Veloso	Assistant Corporate Secretary	Filipino	No relation	34
Arlene De Guzman	Treasurer	Filipino	No relation	54

(*) 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 4^{th} 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 Hotels 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 ventures undertakings and of the Group's investments in Vietnam. Before his stint in the Philippines, he held numerous positions in Singapore, Indonesia and Saudi Arabia. Mr. Cockrell is also a Director of Lafarge Republic Inc., a listed company.

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. He continued to serve the firm as of counsel until August 2010. 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 and Head of the Banking, Finance and Securities Group of SyCip Salazar Hernandez & Gatmaitan. 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.). Atty. Gentugaya practices corporate and commercial law, and has been named by Chambers & Partners and The Legal 500 as one of the world's leading lawyers in banking and finance, and commercial law. She is a member of the Philippine Bar Association and the Makati Business Club. She also serves in the Board of Directors of various companies.

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 42 years experience in managing and developing hotel projects in Singapore, Malaysia, Thailand, Australia, USA and Vietnam. He holds a Master of Business Administration from the University of South Australia, is a Certified Hotel Administrator (CHA) from the Educational Institute of the American Hotel & Motel Association, Michigan, USA and a Member of the Chartered Management Institute, UK. He is the Vice President of the Singapore Philippines Association; Vice President of the Malaysian Associations of the Philippines; and 2nd Vice President of SKAL Club of Manila. He sits on the Board of the Hotel Association of the Philippines, Hotel Federations of the Philippines and the Foreign Chamber Council of the Philippines.

EDDIE C.T. LAU
DIRECTOR

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

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

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

ARLENE DE GUZMAN
TREASURER

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

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 (now known as Millennium & Copthorne Hotels International Limited) as an Internal Auditor. In 1996, he joined The Heritage Hotel Manila as an Operations Analyst and was appointed General Manager of the Company in April 2000. In June 2006, Mr. Yam was appointed Vice President – Asset Management (China) for HL Global Enterprises Limited, a company listed on the

Singapore Stock Exchange. He also sits on the Board of several companies in the HL Global Enterprises Limited Group.

ARLENE DE GUZMAN
TREASURER

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

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, corporate compliance. She has represented multinational corporations operating in various industries, such as pharmaceutical and healthcare, information technology, outsourcing, manufacturing and real estate, in Philippine and cross-border transactions, and advised on equity restrictions, investment structures and regulatory compliance 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 a senior associate of the law firm Quisumbing Torres. Mr. Veloso's practices corporate and commercial law, with focus on pharmaceuticals, 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 10th in the 2006 Philippine Bar exams. Prior to obtaining his law degree, Mr. Veloso obtained his B.S. Accountancy from the University of the Philippines - Tacloban College in 2001, graduating *cum laude*. Mr. Veloso passed the Philippine licensure exam for Certified Public Accountants in 2001. He also teaches Transportation and Public Utilities Law and Land Titles and Registration at 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.

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

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

CATHERINE A. SERRANO
DIRECTOR OF FINANCE, MEMBER – HERITAGE HOTEL MANILA MANAGEMENT EXECUTIVE COMMITTEE

Ms. Catherine A. Serrano joined Grand Plaza Hotel Corporation in April 2009 as its Accounting Manager. In April 2012 she was appointed as the Assistant Director of Finance and recently got promoted as the Director of Finance of the Heritage Hotel. Ms. Serrano took up her degree in Commerce major in Accounting at the University of the Assumption, San Fernando Pampanga.

Prior to working in the hotel industry Ms. Serrano honed her skills in her field for 13 years with the Laus Group of Companies where she held various managerial positions in Carworld Inc. (dealers of Mitsubishi), Ford Pampanga and Max's Restaurant. She was also the Accounting Group Head of Carworld Inc. affiliates such as, Kia Motors Pampanga, Suzuki Pampanga, Laus Group Estate, Carworld Caltex, Radioworld Broadcasting Corp., and Regent Printing House.

Ms. Serrano started her hotel career in February 2006 at the Holiday Inn Galleria Manila as Chief Accountant and was promoted in November 2007 as the Finance Manager of Crowne Plaza Galleria Manila.

Attendance Record

Meeting Attendance of the Company's Board of Directors in 2014:

Date of Board of Directors' meetings	Name of Directors						
	Wong Hong Ren	Bryan Cockrell	Angelito Imperio	Mia Gentugaya	Michele Dee-Santos (Resigned effective 10 October 2014)	Eddie Lau	Eddie Yeo
11 February 2014 (Joint Meeting with Board of Directors)	Present	Present	Present	Present	Absent	Present	Present
25 April 2014	Present	Present	Present	Present	Present	Absent	Present
15 May 2014 (1:00 p.m.)	Present	Present	Present	Absent	Present	Present	Present
15 May 2014 (10:30 a.m.)	Present	Present	Present	Present	Present	Present	Present
24 July 2014	Present	Present	Present	Present	Present	Present	Present
2 October 2014	Present	Present	Absent	Present	Present	Present	Present
27 October 2014	Present	Absent	Present	Absent	N/A	Present	Present
Total	7 out of 7	6 out of 7	6 out of 7	5 out of 7	5 out of 6	6 out of 7	7 out of 7
Percentage of Attendance	100%	85.71%	85.71%	71.43%	83.33%	85.71%	100%

Meeting Attendance of the Company's Audit Committee in 2014:

Date of the Audit Committee meetings	Name of Directors		
	Bryan Cockrell	Mia Gentugaya	Michele Dee-Santos (Resigned effective 10 October 2014)
11 February 2014	Present	Present	Absent

25 April 2014	Present	Present	Present
24 July 2014	Present	Present	Present
27 October 2014	Present	Present	N/A
Total	4 out of 4	4 out of 4	2 out of 3
Percentage of Attendance	100%	100%	66.66%

Meeting Attendance of the Company's Nomination Committee in 2014:

Date of the Nomination's Committee meetings	Name of Directors				
	Wong Hong Ren	Eddie Lau	Bryan Cockrell	Michele Dee-Santos	Angelito Imperio
11 February 2014 (Joint Meeting with Board of Directors)	Present	Present	Present	Absent	Present
21 March 2014	Absent	Present	Present	Present	Present
Total	1 out of 2	2 out of 2	2 out of 2	1 out of 2	2 out of 2
Percentage of Attendance	50%	100%	100%	50%	100%

ITEM 10. EXECUTIVE COMPENSATION

EXECUTIVE AND DIRECTORS COMPENSATION

NAME	POSITION	YEAR	SALARY	BONUS	OTHERS/ DIRECTOR FEES
Wong Hong Ren	Chairman & President	2014			
Eddie Yeo Ban Heng	General Manager of Hotel	2014			
Yam Kit Sung	General Manager of the Company	2014			
Cathy Serrano	Director of Finance	2014			
Gigi Gaw	Director of Sales & Marketing	2014			
Total		2014	12,327,371	756,719	88,815
Directors		2014			1,311,150

All officers & Directors as a group		2014	12,327,371	756,719	1,399,965

The estimated total compensation for officers and directors in year 2015 is as follows:

Salary – PhP12.5 million
Bonus – PhP1.0 million
Other Fees – PhP1.5 million

FOR THE LAST 2 FINANCIAL YEARS – 2013 and 2012

NAME	POSITION	YEAR	SALARY	BONUS	OTHERS/ DIRECTOR FEES
Wong Hong Ren	Chairman & President	2013			
Eddie Yeo Ban Heng	General Manager of Hotel	2013			
Yam Kit Sung	General Manager of the Company	2013			
Cathy Serrano	Director of Finance	2013			
Gigi Gaw	Director of Sales & Marketing	2013			
Total		2013	10,065,213	948,016	88,815
Directors		2013			1,494,626
All officers & Directors as a group		2013	10,065,213	948,016	1,583,441

NAME	POSITION	YEAR	SALARY	BONUS	OTHERS/ DIRECTOR FEES
Wong Hong Ren	Chairman & President	2012			
Eddie Yeo Ban Heng	General Manager of Hotel	2012			
Yam Kit Sung	General Manager of the Company	2012			
Johnny Yap	Executive Manager of Hotel	2012			
Alex Cheong	Executive Chef	2012			
Total		2012	11,328,636	1,481,160	70,000
Directors		2012			2,111,284
All officers & Directors as a group		2012	11,328,636	1,481,160	2,181,284

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 2014.

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 (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 2014

S/N	NAME OF SHAREHOLDER	CITIZENSHIP	NO. OF SHARES	% OF SHAREHOLDING (EXCLUSIVE OF TREASURY SHARES)
1	The Philippine Fund	Bermuda	28,655,932[2]	53.34%

[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	Ordinary	60%
British West Indies, Cayman Islands		
2. Pacific Far East (PFE) Holdings Corporation		
(formerly Istethmar International Corporation)		
Suite 2705-09, 27Flr, Jardine House	Ordinary	20%
1 Connaught Place, Central, Hong Kong		
3. Robina Manila House Limited		
8/F Bangkok Bank Building	Ordinary	20%

	Limited			
2	Zatrio Pte. Ltd.	Singapore	17,727,149	33.08%
3	RCBC Trust & Investment	Filipino	5,835,663	10.86%

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

ITEM 13. EXHIBITS AND REPORTS ON SEC FORM 17-C

Exhibits

None

Reports on SEC Form 17-C

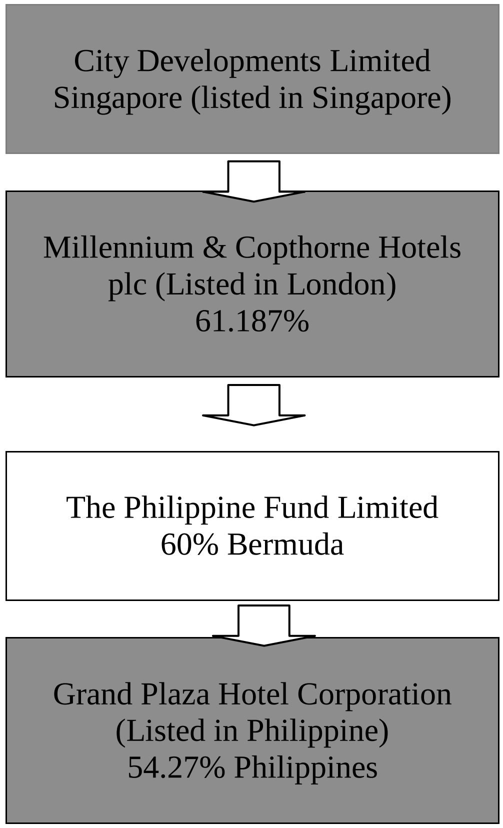
The following events were reported in SEC Form 17-C during the period January 2014 to December 2014:

Date of Filing of SEC Form 17-C	**Summary of the matter disclosed**
12 February 2014	Contract of Lease between Harbour Land Corporation and the Company - Rent Increase and Extension and Approval of the Record Date for the Company's Annual Stockholders' Meeting for 2014
16 May 2014	Election of Directors and Re-Appointment of External Auditors
16 May 2014	Election of Officers and Committee Members
29 May 2014	Buyback Timetable and Buyback Documents
2 July 2014	Result of the Buyback of Shares
15 July 2014	Completion of the Buyback of Shares
12 August 2014	Renewal of Contract of Lease
26 August 2014	Demise of Ms. Mary Grace Magsalin

13 October 2014	Resignation of Michele Dee-Santos as Director

The Group Structure

The Philippine Fund Limited Group Structure



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 2 February, 2015

By:

Wong Hong Ren
Chairman & President

Yam Kit Sung
General Manager/
Vice President Finance

Maria Christina Macasaet-Acaban
Corporate Secretary

notary attestation

NOTARY PUBLIC
Ho Suk Tsing Leslie
N2014/0100
1 Apr 2014 - 31 Mar 2015
SINGAPORE

SUBSCRIBED AND SWORN to before me this 9 FEB 2015 day of ________ 2015__ affiant(s) exhibiting to me their Community Tax Certificates/Passports, as follows:

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

ATTY. DICKSON C. AYON-AYON
NOTATY PUBLIC
UNTIL DECEMBER 31, 2015
Notary Public
ROLL NO. 52580 PASAY CITY 1/5/15
IBP NO. 920795/1/5/15
PTR NO. 8333137/1/5/15
PASAY CITY

Doc. No. 150
Page No. 30
Book No. I
Series of 2015.

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 0 9 FEB, 20 15.

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 0 9 FEB 2015 day of 2015 affiant(s) exhibiting to me their Community Tax Certificates/Passports, as follows:

Names	CTC/Passport No.	Date of Issue	Place of Issue
Ma. Christina J. Macasaet Acaban	EB7554126	15 March 2013	Manila Philippines

Notary Public

RAMON MIGUEL E. BACANI
Notary Public, City of Taguig, Pasig, San Juan, and Pateros
Appointment No. 260, Until December 31, 2015
12th Floor, Net One Center 26th St. cor. 3rd Avenue
Crescent Park West, Bonifacio Global City, Taguig 1634
ROLL OF ATTORNEYS No. 59671
PTR No. A-2924393; 1/8/2014; Taguig City, M.M
LIFETIME IBP No. 080419; 01/10/12/Quezon City

RAMON MIGUEL E. BACANI
NOTARY PUBLIC
ROLL NO. 59671
TAGUIG CITY, PHILIPPINES

Doc. No. 153
Page No. 32
Book No. II
Series of 2015.

SUBSCRIBED AND SWORN to before me this _____ day of February 2015, affiants exhibiting to me the following:

Wong Hong Ren	TIN No. 436-047-767
Yam Kit Sung	TIN No. 909-330-062

Doc. No. _____
Page No. _____
Book No. _____
Series of 2015.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 6 6 8 7 8

Company Name

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

Principal Office (No./Street/Barangay/City/Town)Province)

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
506		December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Yam Kit Sung		854-8838	

Contact Person's Address

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

GRAND PLAZA HOTEL CORPORATION

FINANCIAL STATEMENTS
December 31, 2014, 2013 and 2012

KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226, Metro Manila, Philippines

Branches: Subic · Cebu · Bacolod · Iloilo

Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
E-Mail manila@kpmg.com.ph

REPORT OF INDEPENDENT AUDITORS

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

Report on the 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, 2014 and 2013, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the years in the three-year period ended December 31, 2014, 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.

PRC-BOA Registration No. 0003, valid until December 31, 2016
SEC Accreditation No. 0004-FR-4, Group A, valid until November 10, 2017
IC Accreditation No. F-2014/014-R, valid until August 26, 2017

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, 2014 and 2013, and its financial performance and its cash flows for each of the years in the three-year period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

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

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

R.G. MANABAT & CO.

ADOR C. MEJIA
Partner
CPA License No. 0029620
SEC Accreditation No. 0464-AR-2, Group A, valid until March 24, 2016
Tax Identification No. 112-071-634
BIR Accreditation No. 08-001987-10-2013
Issued May 9, 2013; valid until May 8, 2016
PTR No. 4748117MC
Issued January 5, 2015 at Makati City

February 3, 2015
Makati City, Metro Manila

GRAND PLAZA HOTEL CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Grand Plaza Hotel Corporation** (the **Company**), is responsible for the preparation and fair presentation of the financial statements as at and for the years ended **December 31, 2014 and 2013**, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

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

Signature ______________________
Wong Hong Ren – Chairman of the Board

Signature ______________________
Wong Hong Ren - Chief Executive Officer

Signature ______________________
Yam Kit Sung - Chief Financial Officer

Signed this 3 day of Feb. 2015

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date FEB 10 2015
RECEIVED
PATRICIA Q. PANALIGAN

R.G. Manabat & Co.
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Makati City 1226, Metro Manila, Philippines

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

The 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, 2014, on which we have rendered our report thereon dated February 3, 2015.

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.

R.G. MANABAT & CO.

ADOR C. MEJIA
Partner
CPA License No. 0029620
SEC Accreditation No. 0464-AR-2, Group A, valid until March 24, 2016
Tax Identification No. 112-071-634
BIR Accreditation No. 08-001987-10-2013
Issued May 9, 2013; valid until May 8, 2016
PTR No. 4748117MC
Issued January 5, 2015 at Makati City

February 3, 2015
Makati City, Metro Manila

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2014	2013
ASSETS			
Current Assets			
Cash and cash equivalents	*4, 26*	**P237,078,063**	P205,890,655
Receivables - net	*5, 14, 26*	**304,110,706**	322,009,422
Loan receivable	*9, 14, 26*	**15,500,000**	15,500,000
Due from related parties	*14, 26*	**350**	1,885,100
Inventories	*6*	**13,993,229**	13,582,447
Prepaid expenses and other current assets	*7*	**12,230,638**	18,482,934
Total Current Assets		**582,912,986**	577,350,558
Noncurrent Assets			
Property and equipment - net	*10*	**624,662,660**	647,640,324
Investment in an associate	*8, 14*	**50,241,237**	48,467,138
Deferred tax assets - net	*22*	**12,398,139**	5,571,856
Other noncurrent assets	*11, 14, 20, 26*	**84,095,791**	84,095,791
Total Noncurrent Assets		**771,397,827**	785,775,109
		P1,354,310,813	P1,363,125,667
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*12, 26*	**P77,919,262**	P77,567,689
Refundable deposits - current portion	*19*	**23,997,300**	-
Due to related parties	*14, 20, 26*	**6,090,243**	2,115,421
Income tax payable		**1,802,477**	-
Other current liabilities	*13, 26*	**230,761,713**	227,186,550
Total Current Liabilities		**340,570,995**	306,869,660
Noncurrent Liabilities			
Refundable deposits - net of current portion	*19*	**32,122,519**	29,120,790
Accrued retirement benefits liability	*21*	**26,634,668**	21,914,777
Total Noncurrent Liabilities		**58,757,187**	51,035,567
Total Liabilities		**399,328,182**	357,905,227
Equity			
Capital stock		**873,182,700**	873,182,700
Additional paid-in capital		**14,657,517**	14,657,517
Remeasurement gains on defined benefit plan	*21*	**4,696,038**	6,085,245
Retained earnings:			
Appropriated	*23*	**1,680,020,370**	1,630,777,870
Unappropriated	*25*	**62,446,376**	111,294,978
Treasury stock	*24*	**(1,680,020,370)**	(1,630,777,870)
Total Equity		**954,982,631**	1,005,220,440
		P1,354,310,813	P1,363,125,667

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF PROFIT OR LOSS

	Note	2014	2013	2012
		Years Ended December 31		
REVENUES				
Rooms		**P312,084,720**	P336,688,055	P353,134,536
Food and beverage		**141,017,832**	158,290,397	183,057,051
Other operating departments		**6,491,294**	6,665,324	9,233,265
Others	*20*	**7,353,953**	81,009,951	141,893,873
		466,947,799	582,653,727	687,318,725
COST OF SALES AND SERVICES	*15*			
Food and beverage		**53,388,923**	56,283,435	60,673,470
Other operating departments		**2,897,083**	3,466,534	4,461,453
		56,286,006	59,749,969	65,134,923
		410,661,793	522,903,758	622,183,802
SELLING EXPENSES	*16*	**211,628,674**	214,534,010	218,024,030
ADMINISTRATIVE EXPENSES	*17*	**217,135,639**	199,528,308	181,334,125
		428,764,313	414,062,318	399,358,155
NET OPERATING INCOME (LOSS)		**(18,102,520)**	108,841,440	222,825,647
OTHER INCOME (EXPENSES)				
Interest income	*4, 9, 14*	**5,344,592**	7,125,401	9,567,316
Foreign exchange gain		**180,991**	7,126,239	1,504,399
Equity in net income of an associate	*8*	**1,774,099**	611,039	455,258
Reversal of accruals	*12*	**14,767,900**	-	-
Others		**-**	76,700	(414,424)
		22,067,582	14,939,379	11,112,549
INCOME BEFORE INCOME TAX		**3,965,062**	123,780,819	233,938,196
INCOME TAX EXPENSE	*22*	**3,571,164**	38,204,143	68,571,560
NET INCOME		**P393,898**	P85,576,676	P165,366,636
Basic and Diluted Earnings Per Share	*18*	**P0.01**	P1.53	P2.83

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2014**	2013	2012
NET INCOME		**P393,898**	P85,576,676	P165,366,636
OTHER COMPREHENSIVE INCOME (LOSS)	*21*			
Item that will never be reclassified to profit or loss				
Remeasurement of net defined benefit plan		**(1,984,581)**	(1,469,984)	5,509,652
Income tax relating to an item that will not be reclassified subsequently		**595,374**	440,995	(1,652,895)
		(1,389,207)	(1,028,989)	3,856,757
TOTAL COMPREHENSIVE INCOME (LOSS)		**(P995,309)**	P84,547,687	P169,223,393

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31

	Note	Common Stock (Note 24)	Additional Paid-in Capital	Remeasurement Gains on Defined Benefit Liability	Retained Earnings Appropriated	Retained Earnings Unappropriated	Treasury Stock (Note 24)	Total Equity
Balance at January 1, 2014		P873,182,700	P14,657,517	P6,085,245	P1,630,777,870	P111,294,978	(P1,630,777,870)	P1,005,220,440
Net income for the period		-	-	-	-	393,898	-	393,898
Other comprehensive income for the year	*21*	-	-	(1,389,207)	-	-	-	(1,389,207)
Total comprehensive income for the year		-	-	(1,389,207)	-	393,898	-	(995,309)
Appropriation for acquisition of treasury shares	*23, 24*	-	-	-	49,242,500	(49,242,500)	(49,242,500)	(49,242,500)
Dividends declared	*25*	-	-	-	-	-	-	-
Balance at December 31, 2014		**P873,182,700**	**P14,657,517**	**P4,696,038**	**P1,680,020,370**	**P62,446,376**	**(P1,680,020,370)**	**P954,982,631**

Forward

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31

	Note	Common Stock (Note 24)	Additional Paid-in Capital	Remeasurement Gains on Defined Benefit Liability	Retained Earnings Appropriated	Retained Earnings Unappropriated	Treasury Stock (Note 24)	Total Equity
Balance at January 1, 2013		P873,182,700	P14,657,517	P7,114,234	P1,488,311,220	P168,184,952	(P1,488,311,220)	P1,063,139,403
Net income for the period		-	-	-	-	85,576,676	-	85,576,676
Other comprehensive income for the year	*21*	-	-	(1,028,989)	-	-	-	(1,028,989)
Total comprehensive income for the year		-	-	(1,028,989)	-	85,576,676	-	84,547,687
Appropriation for acquisition of treasury shares	*23, 24*	-	-	-	142,466,650	(142,466,650)	(142,466,650)	(142,466,650)
Dividends declared	*25*	-	-	-	-	-	-	-
Balance at December 31, 2013		P873,182,700	P14,657,517	P6,085,245	P1,630,777,870	P111,294,978	(P1,630,777,870)	P1,005,220,440

Forward

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31

	Note	Common Stock (Note 24)	Additional Paid-in Capital	Remeasurement Gains on Defined Benefit Liability	Retained Earnings Appropriated	Retained Earnings Unappropriated	Treasury Stock (Note 24)	Total Equity
Balance at January 1, 2012		P873,182,700	P14,657,517	P3,257,477	P1,369,513,270	P241,471,288	(P1,369,513,270)	P1,132,568,982
Net income for the period		-	-	-	-	165,366,636	-	165,366,636
Other comprehensive income for the year	*21*	-	-	3,856,757	-	-	-	3,856,757
Total comprehensive income for the year		-	-	3,856,757	-	165,366,636	-	169,223,393
Appropriation for acquisition of treasury shares	*23, 24*	-	-	-	118,797,950	(118,797,950)	(118,797,950)	(118,797,950)
Dividends declared	*25*	-	-	-	-	(119,855,022)	-	(119,855,022)
Balance at December 31, 2012		P873,182,700	P14,657,517	P7,114,234	P1,488,311,220	P168,184,952	(P1,488,311,220)	P1,063,139,403

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2014**	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P3,965,062**	P123,780,819	P233,938,196
Adjustments for:				
Depreciation and amortization	*10, 17*	**38,864,197**	36,293,759	37,563,273
Retirement benefits cost	*21*	**2,952,313**	2,824,844	3,876,365
Provision for (recovery of) impairment losses on receivables	*17, 26*	**13,156,558**	27,260	(50,045)
Interest income	*4, 9, 14*	**(5,344,592)**	(7,125,401)	(9,567,316)
Unrealized foreign exchange loss (gain)		**1,380,284**	(3,497,543)	1,135,365
Equity in net income of an associate	*8*	**(1,774,099)**	(611,039)	(455,258)
Loss on disposal of property and equipment		**-**	-	433,175
Dividend income		**-**	-	(18,750)
Operating income before working capital changes		**53,199,723**	151,692,699	266,855,005
Decrease (increase) in:				
Receivables		**(1,779,537)**	(13,464,592)	(17,565,236)
Inventories		**(410,782)**	978,254	(1,970,649)
Due from related parties		**1,884,750**	242,922	976,223
Prepaid expenses and other current assets		**6,252,296**	(2,686,903)	(14,575,351)
Increase (decrease) in:				
Accounts payable and accrued expenses		**351,573**	(4,211,202)	(1,975,533)
Due to related parties		**3,974,822**	(4,728,066)	(12,485,845)
Refundable deposits		**26,999,029**	(2,111,085)	3,576,820
Other current liabilities		**3,575,163**	3,091,261	8,147,416
Cash generated from operations		**94,047,037**	128,803,288	230,982,850
Interest received		**11,866,287**	2,595,709	12,597,854
Income taxes paid		**(7,999,596)**	(50,262,007)	(62,177,410)
Retirement benefits paid	*21*	**(217,003)**	(5,808,525)	(1,015,701)
Net cash provided by operating activities		**97,696,725**	75,328,465	180,387,593

Forward

	Note	2014	2013	2012
		Years Ended December 31		
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	*10*	**(P15,886,533)**	(P13,096,096)	(P13,471,050)
Proceeds from disposal of property and equipment		**-**	-	1,133,801
Dividend received		**-**	-	18,750
Net cash used in investing activities		**(15,886,533)**	(13,096,096)	(12,318,499)
CASH FLOWS FROM FINANCING ACTIVITIES				
Acquisition of treasury stock	*24*	**(49,242,500)**	(142,466,650)	(118,797,950)
Dividends paid	*25*	**-**	-	(119,855,022)
Net cash used in financing activities		**(49,242,500)**	(142,466,650)	(238,652,972)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(1,380,284)**	3,497,543	(1,135,365)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**31,187,408**	(76,736,738)	(71,719,243)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*4*	**205,890,655**	282,627,393	354,346,636
CASH AND CASH EQUIVALENTS AT END OF YEAR	*4*	**P237,078,063**	P205,890,655	P282,627,393

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

Grand Plaza Hotel Corporation (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 9, 1989 primarily to own, lease or manage one or more hotels, inns or resorts, all adjuncts and accessories thereto, and all other tourist-oriented businesses as may be necessary in connection therewith. The Company is a public company under Section 17.2 of the Securities Regulation Code and its shares are listed on the Philippine Stock Exchange (PSE). The Company is 54% owned by The Philippine Fund Limited (TPFL), a corporation organized in the Islands of Bermuda. The ultimate parent of the Company is Hong Leong Investment Holdings Pte Ltd., a corporation organized in Singapore.

The Company owns and operates The Heritage Hotel (the "Hotel"), its only operating segment, which is a deluxe class hotel that offers 450 rooms and facilities and amenities such as restaurants, function halls, and a coffee shop. The address of the Company's registered and principal office is 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). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

The financial statements as at and for the year ended December 31, 2014 were approved and authorized for issue by the Board of Directors (BOD) on February 3, 2015.

Basis of Measurement

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

Functional and Presentation Currency

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

Use of Estimates and Judgments

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

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

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

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

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

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

a. the ownership of the asset does not transfer at the end of the lease term;

b. there is no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;

c. the lease term is not for the major part of the economic life of the asset even if title is not transferred;

d. at the inception of the lease, the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the leased asset; and

e. the leased assets are not of such a specialized nature that only the lessee can use them without major modifications.

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

Company as Lessee
The Company has entered into a lease of land. All the significant risks and rewards of ownership of the leased land remain with the lessor, since the leased property, together with the buildings thereon, and all attached permanent fixtures will be returned to the lessor upon the termination of the lease (see Note 20).

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

As at December 31, 2014 and 2013, allowance for impairment losses on trade receivables amounted to P13,312,179 and P155,621, respectively (see Note 5). As at December 31, 2014 and 2013, the carrying amount of receivables amounted to P304,110,706 and P322,009,422 (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 cost, amounted to P13,993,229 and P13,582,447 as at December 31, 2014 and 2013, 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 at December 31, 2014 and 2013, the carrying amount of property and equipment amounted to P624,662,660 and P647,640,324, respectively (see Note 10).

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

As at December 31, 2014 and 2013, the Company's deferred tax assets amounted to P14,410,727 and P9,229,081, respectively (see Note 22).

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

The Company's retirement benefits liability amounted to P26,634,668 and P21,914,777 as at December 31, 2014 and 2013, respectively. In 2014 and 2013, the retirement benefits cost recognized in profit and loss amounted to P2,952,313 and P2,824,844, respectively. Cumulative actuarial loss amounted to P6,708,626 and P8,693,207 for the years ended December 31, 2014 and 2013, respectively (see Note 21).

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

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

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

There were no impairment losses on the Company's nonfinancial assets recognized as at December 31, 2014 and 2013.

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

There were no provisions or contingencies recognized as at December 31, 2014 and 2013.

3. Summary of Significant Accounting Policies

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

Adoption of New and Revised Standards, Amendments to Standards and Interpretations
The Company has adopted the following amendments to standards and interpretations starting January 1, 2014 and accordingly, changed its accounting policies.

- *Offsetting Financial Assets and Financial Liabilities* (Amendments to PAS 32). These amendments clarify that:

  - An entity currently has a legally enforceable right to set-off if that right is:
    - not contingent on a future event; and
    - enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and

  - Gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that:
    - eliminate or result in insignificant credit and liquidity risk; and
    - process receivables and payables in a single settlement process or cycle.

  The adoption of these amendments to standards and interpretations did not have any significant impact on the Company's financial statements.

- *Recoverable Amount Disclosures for Non-financial Assets (Amendments to PAS 36).* These narrow-scope amendments to PAS 36 address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments clarified that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

  The adoption of these amendments to standards and interpretations did not have any significant impact on the Company's financial statements.

New and Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted
A number of new and revised standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014, and have not been applied in preparing these financial statements. Except as otherwise indicated, none of these is expected to have a significant effect on the financial statements. Those which may be relevant to the Company.

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

To be Adopted (No definite date - Originally January 1, 2015)

- PFRS 9, *Financial Instruments* (2009), PFRS 9, *Financial Instruments* (2010) and PFRS 9, *Financial Instruments* (2013)

  PFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under PFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. PFRS 9 (2010) introduces additions relating to financial liabilities.

  PFRS 9 (2013) introduces the following amendments:

  - A substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements;
  - Changes to address the so-called 'own credit' issue that were already included in PFRS 9, *Financial Instruments* to be applied in isolation without the need to change any other accounting for financial instruments; and
  - Removes the January 1, 2015 mandatory effective date of PFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements.

To be Adopted on January 1, 2016

- *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to PAS 16 and PAS 38).* The amendments to *PAS 38, Intangible Assets* introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

  The amendments to PAS 16, *Property, Plant and Equipment* explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g. changes in sales volumes and prices.

To be Adopted on January 1, 2017

- PFRS 15, *Revenue from Contracts with Customers.* This replaces most of the detailed guidance on revenue recognition that currently exists under PFRSs. The core principle of PFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Entities will apply a five-step model to determine when to recognize revenue, and at what amount. The new standard provides application guidance on numerous topics, including warranties and licenses. It also provides guidance on when to capitalize costs of obtaining or fulfilling a contract that are not addressed in other accounting standards - e.g. for inventory.

PFRS 15 is effective for annual periods beginning on or after April 1, 2017. Early adoption is permitted under PFRS. The standard may be adopted retrospectively, or as of the application date by adjusting retained earnings at that date and disclosing the effect of adoption on each line of profit or loss (the 'cumulative effect approach'). Practical expedients are available to those taking a retrospective approach.

Financial Instruments

Non-derivative Financial Instruments

Non-derivative financial instruments consist of cash and cash equivalents, receivables, loan receivable, due from related parties, deposits (included under other noncurrent 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.

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

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

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

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

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

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

Included in this category are the Company's cash and cash equivalents, receivables, loan receivable, due from related parties and deposits.

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

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

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

Offsetting Financial Assets and Liabilities

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

Derecognition of Financial Instruments

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

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

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

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

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

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Investment in an Associate
An associate is an entity in which the Company has significant influence, 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 is accounted for under the equity method of accounting and is recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount is increased or decreased to recognize the Company's share of the profit or loss of the associate after the date of acquisition until such time the Company loses its significant influence. The Company's share of the profit or loss of the associate is recognized as "Equity in net income of an associate" in profit or loss.

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 or term of the lease whichever is shorter

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

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

Impairment of Assets

Financial Assets

Financial assets are reviewed for impairment at each reporting date.

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

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

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

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

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

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

<u>Capital Stock</u>
Capital stock 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.

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

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

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

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

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

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.

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

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

Costs and expenses are recognized when incurred.

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

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

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

Operating Leases - Company as Lessor
Leases where the Company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

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

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

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

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

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

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

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

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

- receivables and payables that are stated with amount of VAT included.

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

Earnings Per Share

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

Related Parties

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

Employee Benefits

Retirement Costs

The Company's net obligation in respect of the defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed on a periodic basis by a qualified actuary appointed by the Company using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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

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

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

4. Cash and Cash Equivalents

This account consists of:

	Note	**2014**	2013
Cash on hand and in banks		**P69,719,296**	P21,996,327
Short-term investments		**167,358,767**	183,894,328
	26	**P237,078,063**	P205,890,655

Cash in banks earns annual interest at the prevailing bank deposit rates. Short-term investments consist mainly of time deposits which earn annual interest ranging from 0.15% to 0.5% in 2014, 2013 and 2012. Interest income earned amounted to P669,592, P2,450,401 and P4,892,320 for the years ended December 31, 2014, 2013 and 2012, respectively.

5. Receivables

This account consists of:

	Note	**2014**	2013
Trade:			
Receivables from Philippine Amusement and Gaming Corporation (PAGCOR)		**P232,582,149**	P232,582,149
Charge customers	*26*	**36,448,610**	30,953,275
Others		**9,788,887**	10,309,653
		278,819,646	273,845,077
Interest	*14*	**11,012,498**	17,534,193
Utility charges		**17,405,243**	17,434,978
Others		**10,185,498**	13,350,795
		317,422,885	322,165,043
Less allowance for impairment losses on trade receivables	*26*	**13,312,179**	155,621
	26	**P304,110,706**	P322,009,422

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 at December 31, 2014 and 2013, 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 VAT considering its status as a government corporation. The corresponding 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 BIR a Final Decision on Disputed Assessment finding the Company liable for deficiency VAT with respect to the years 1996 to 2002 in total amount of PhP228.94 million, inclusive of penalty and interest from January 2003 to December 2006. The Company subsequently filed a petition for review with the Court of Tax Appeal ("CTA") to contest such Final Decision on Disputed Assessment.

The BIR further 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 issued a Temporary Restraining Order enjoining the BIR from further efforts at collection of taxes, 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 issue of whether or not the services rendered by the Company to PAGCOR is subject to VAT at 10% rate. The CTA granted the motion and hearings were subsequently conducted. On February 18, 2011, the CTA ruled in favor of the Company and cancelled the VAT deficiency assessment in toto.

As mentioned in the CTA Resolution, in line with the decision of the Supreme Court (SC) 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's assessment against the Company for deficiency VAT in the amount of Php228.94 million for taxable years 1996 to 2001. In its resolution dated May 17, 2011, the CTA denied the Commissioner of the Bureau 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. The BIR shortly filed an appeal with the CTA En Banc.

On September 1, 2011, the CTA En Banc resolved to give course to BIR's appeal. The Company filed its Memorandum in October 2011. On July 27, 2012, the CTA En Banc resolved that consistent with the pronouncement of the SC in the cases of BIR vs. Acesite Hotel Corporation and PAGCOR vs. BIR, that services rendered to PAGCOR are exempt from VAT, BIR's petition has no leg to stand on and must necessarily fall. The BIR filed a Motion for Reconsideration.

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

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

On October 8, 2014, the SC declared the petitioner's (BIR) Manifestation and Motion dated April 11, 2014 as unsatisfactory compliance with the Resolution dated January 28, 2013. The SC directed the BIR to comply with the Resolution by submitting within 5 days from notice the required documents.

On December 16, 2014, the Company filed a Manifestation and Motion to Dismiss the Petition by the BIR for non-compliance with the jurisdictional requirements. As at February 3, 2015, the Company is still waiting for the SC's decision.

The Company will continue to pursue its case with the SC and will file the necessary disclosure on the outcome thereof following the issuance of the judgment of the SC.

The Company's exposure to credit risks and impairment losses related to trade receivables from charge customers are disclosed in Note 26.

6. Inventories

This account consists of:

	Note	2014	2013
General supplies		**P5,057,137**	P4,065,362
Food		**4,801,467**	4,031,072
Engineering supplies		**2,673,754**	4,172,739
Beverage and tobacco		**960,322**	1,046,567
Others		**500,549**	266,707
	15	**P13,993,229**	P13,582,447

There was no write down of inventories to NRV in both 2014 and 2013.

7. Prepaid Expenses and Other Current Assets

This account consists of:

	2014	2013
Input value-added tax	**P6,726,359**	P11,200,062
Prepaid expenses	**4,703,774**	5,404,404
Prepaid income tax	**-**	1,124,718
Others	**800,505**	753,750
	P12,230,638	P18,482,934

Input value-added tax is current and can be applied against output value-added tax.

Prepaid expenses consist of insurance premiums, dues and subscriptions fees.

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:

	2014	2013
Acquisition cost	**P48,200,000**	P48,200,000
Accumulated share in net earnings:		
Balance at beginning of year	**267,138**	(343,901)
Equity in net income of associate during the year	**1,774,099**	611,039
Balance at end of year	**2,041,237**	267,138
	P50,241,237	P48,467,138

A summary of the financial information of HLC follows:

	2014	2013
Total assets	**P150,962,634**	P152,860,101
Total liabilities	**79,389,215**	85,721,931
Total equity, net of subscriptions receivable of P54 million	**71,573,419**	67,138,170
Revenue	**17,797,608**	10,678,560
Net income	**4,435,249**	1,527,597

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 of P72.3 million as at December 31, 2014 and 2013 and is payable on demand with interest rate of 5% per annum (see Note 14).

Interest income earned in 2014, 2013 and 2012 amounted to P775,000 for each year.

10. Property and Equipment

The movements and balances in this account are as follows:

	Building and Building Improvements	Furniture Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Total
Cost					
Balance, January 1, 2013	P985,905,220	P370,711,558	P4,158,198	P385,157	P1,361,160,133
Additions	10,717,402	2,378,694	-	-	13,096,096
Balance, December 31, 2013	996,622,622	373,090,252	4,158,198	385,157	1,374,256,229
Additions	12,151,980	3,734,553	-	-	15,886,533
Balance, December 31, 2014	**1,008,774,602**	**376,824,805**	**4,158,198**	**385,157**	**1,390,142,762**
Accumulated Depreciation and Amortization					
Balance, January 1, 2013	387,903,561	297,875,230	4,158,198	385,157	690,322,146
Depreciation and amortization during the year	22,357,903	13,935,856	-	-	36,293,759
Balance, December 31, 2013	410,261,464	311,811,086	4,158,198	385,157	726,615,905
Depreciation and amortization during the year	24,237,529	14,626,668	-	-	38,864,197
Balance, December 31, 2014	**434,498,993**	**326,437,754**	**4,158,198**	**385,157**	**765,480,102**
Carrying Amount					
December 31, 2013	P586,361,158	P61,279,166	P -	P -	P647,640,324
December 31, 2014	**P574,275,609**	**P50,387,051**	**P -**	**P -**	**P624,662,660**

No impairment loss was recognized for the Company's property and equipment in 2014, 2013 and 2012.

11. Other Noncurrent Assets

This account consists of:

	Note	2014	2013
Lease deposit	*14, 20, 26*	**P78,000,000**	P78,000,000
Miscellaneous investments and deposits		**5,085,791**	5,085,791
Others		**1,010,000**	1,010,000
		P84,095,791	P84,095,791

Miscellaneous investments and deposits consist of utility and rent deposit.

12. Accounts Payable and Accrued Expenses

This account consists of:

	Note	2014	2013
Trade		**P42,252,080**	P43,608,896
Accrued payroll		**19,420,513**	16,254,895
Accrued utilities		**10,663,237**	14,940,930
Accrued other liabilities		**4,767,671**	1,946,158
Others		**815,761**	816,810
	26	**P77,919,262**	P77,567,689

The Company's exposure to liquidity risk related to trade and other payables are disclosed in Note 26.

During the year, the Company has reversed its accrual of payable to CDL Hotel (Phils.) Corporation (CDL), a related party, until March 2011 due to the liquidation of the latter which amounts to P14,767,900. The accrual pertains to the management and incentive fees arising from management contract with CDL.

Trade payables have normal terms of 30 to 45 days.

13. Other Current Liabilities

This account consists of:

	Note	2014	2013
Output VAT payable	*5*	**P206,953,990**	P206,505,652
Payable to employees	*26*	**9,949,840**	9,300,026
Withholding taxes payable		**3,055,506**	2,011,057
Others	*26*	**10,802,377**	9,369,815
		P230,761,713	P227,186,550

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

14. Related Party Transactions

In the normal course of business, the Company has transactions with its related parties. These transactions and account balances as at December 31 follow:

				Outstanding Balance			
Category/ Transaction	Year	*Note*	Amount of the Transaction	Due from Related Parties	Due to Related Parties	Terms	Conditions
Associate							
▪ Lease deposit	**2014**	*20*	**P -**	**P78,000,000**	**P -**	**Required lease deposit on the leased land**	**Collectible upon termination of the contract**
	2013		-	78,000,000	-	Required lease deposit on the leased land	Collectible upon termination of the contract
	2012		-	78,000,000	-	Required lease deposit on the leased land	Collectible upon termination of the contract
▪ Interest income	**2014**	*14b*	**3,900,000**	**-**	**-**	**5% per annum of the lease deposit**	**Unsecured; no impairment**
	2013		3,900,000	6,125,290	-	5% per annum of the lease deposit	Unsecured; no impairment
	2012		3,900,000	2,225,290	-	5% per annum of the lease deposit	Unsecured; no impairment
▪ Advances	**2014**	*14a*	**24,550**	**350**	**-**	**Due and demandable; non interest bearing**	**Unsecured; no impairment**
	2013		135,037	135,037	-	Due and demandable; non interest bearing	Unsecured; no impairment
▪ Rent expense	**2014**	*17, 20*	**17,797,608**	**-**	**-**	**Due and demandable; non interest bearing**	**Unsecured**
	2013		10,678,560	-	-	Due and demandable; non interest bearing	Unsecured
	2012		10,678,560	-	1,904,343	Due and demandable; non interest bearing	Unsecured
▪ Rent Income	**2014**	*14e, 20*	**90,000**	**96,300**	**-**	**Due and demandable; non interest bearing**	**Unsecured; no impairment**
Under Common Control							
▪ Management and incentive fees	**2014**	*14d*	**20,816,244**	**-**	**4,684,895**	**Due and demandable; non interest bearing**	**Unsecured**
	2013		25,020,591	-	1,424,181	Due and demandable; non interest bearing	Unsecured
	2012		29,641,201	-	2,349,691	Due and demandable; non interest bearing	Unsecured
▪ Advances	**2014**	*14a*	**1,233,015**	**-**	**1,405,348**	**Due and demandable; non interest bearing**	**Unsecured; no impairment**
	2013		2,276,171	1,750,063	691,240	Due and demandable; non interest bearing	Unsecured; no impairment
	2012		15,763,656	2,128,022	2,589,452	Due and demandable; non interest bearing	Unsecured; no impairment

Forward

Category/ Transaction	Year	Note	Amount of the Transaction	Outstanding Balance Due from Related Parties	Outstanding Balance Due to Related Parties	Terms	Conditions
▪ Loan	**2014**	*14c*	**P -**	**P15,500,000**	**P -**	**Due and demandable; interest bearing**	**Unsecured; no impairment**
	2013		-	15,500,000	-	Due and demandable; interest bearing	Unsecured; no impairment
	2012		-	15,500,000	-	Due and demandable; interest bearing	Unsecured; no impairment
▪ Interest income	**2014**	*14c*	**775,000**	**11,000,000**	**-**	**5% per annum of the loan receivable**	**Unsecured; no impairment**
	2013		775,000	11,386,249	-	5% per annum of the loan receivable	Unsecured; no impairment
	2012		775,000	10,611,249	-	5% per annum of the loan receivable	Unsecured; no impairment
▪ Rent income	**2014**	*14e*	**200,000**	**160,500**	**-**	**Due and demandable; non interest bearing**	**Unsecured; no impairment**
Key Management Personnel of the Entity							
▪ Short term employee benefits	**2014**	*14f*	**19,301,720**	**-**	**-**		
	2013		19,293,747	-	-		
	2012		21,386,566	-	-		
TOTAL	**2014**			**P104,757,150**	**P6,090,243**		
TOTAL	2013			P112,896,639	P2,115,421		
TOTAL	2012			P108,464,561	P6,843,486		

Due from related parties are included in the following accounts:

	Note	2014	2013
Receivables - net	*5, 9, 20*	**P11,256,800**	P17,511,539
Loan receivable	*9*	**15,500,000**	15,500,000
Due from related parties		**350**	1,885,100
Other noncurrent assets	*11, 20*	**78,000,0000**	78,000,0000
		P104,757,150	P112,896,639

a. 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, unsecured and are receivable/payable on demand.

b. The interest receivable from HLC, its associate, represents the uncollected interest on the lease deposit of the Company to HLC at 5% a year (see Note 20). The related interest income amounted to P3.9 million for each of the years in the three-year period ended December 31, 2014.

c. The interest receivable from RRC, an entity under common control, represents the uncollected interest on the loan granted by the Company to RRC at 5% a year (see Note 9). The related interest income amounted to P0.78 million for each of the years in the three-year period ended December 31, 2014.

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

e. The rent income from HLC, RRC and Elite, its associate and under common control, represents the sub-lease portion of an office space consisting of 30 square meters, 25 square meters and 65 square meters, respectively, located at the Hotel. The lease covers a period of 2.5 years until December 31, 2016, renewable upon written agreement of both parties.

f. Transactions with Key Management Personnel
The total remuneration of key management personnel in the form of short-term employee benefits is shown below:

	2014	2013	2012
Directors of hotel operations	**P2,732,760**	P3,671,418	P3,053,604
Executive officers	**16,568,960**	15,622,329	18,332,962
	P19,301,720	P19,293,747	P21,386,566

The Company does not provide post-employment and equity-based compensation benefits to its Board of Directors and Expatriates.

15. Cost of Sales and Services

This account consists of:

	Note	**2014**	2013	2012
Inventories at beginning of year	*6*	**P13,582,447**	P14,560,701	P12,590,052
Purchases		**56,696,788**	58,771,715	67,105,572
Available for sale and use		**70,279,235**	73,332,416	79,695,624
Inventories at end of year	*6*	**(13,993,229)**	(13,582,447)	(14,560,701)
		P56,286,006	P59,749,969	P65,134,923

16. Selling Expenses

This account consists of:

	Note	**2014**	2013	2012
Salaries, wages and employee benefits:	*21*			
Food and beverage		**P32,252,688**	P34,125,259	P40,214,428
Rooms		**30,393,903**	29,707,598	27,921,985
Other operating departments		**1,285,659**	1,272,489	1,300,854
		63,932,250	65,105,346	69,437,267
Property operation, maintenance, energy and conservation		**98,794,538**	103,083,894	104,829,993
Guest supplies		**9,602,307**	9,984,630	9,769,726
Commission		**8,423,737**	6,231,033	3,313,766
Transport charges		**6,490,719**	6,931,548	8,516,011
Laundry and dry cleaning		**5,097,076**	5,186,222	5,494,644
Kitchen fuel		**2,652,540**	2,841,429	4,153,321
Printing and stationery		**2,105,581**	2,358,083	2,525,723
Housekeeping expense - night cleaning		**1,539,193**	1,344,239	-
Music and entertainment		**1,078,670**	1,003,012	959,495
Operating supplies		**1,028,138**	1,186,414	1,681,695
Cleaning supplies		**644,809**	775,512	779,811
Permits and licenses		**606,050**	350,633	331,556
Miscellaneous		**9,633,066**	8,152,015	6,231,022
		P211,628,674	P214,534,010	P218,024,030

17. Administrative Expenses

This account consists of:

	Note	**2014**	2013	2012
Hotel overhead departments				
Salaries, wages and employee benefits:	*21*			
Administrative and general		**P35,637,618**	P35,176,442	P32,318,676
Engineering		**12,792,037**	8,727,296	9,071,697
Sales and marketing		**7,972,648**	7,857,115	6,006,970
Human resources		**1,423,807**	2,743,667	2,633,855
		57,826,110	54,504,520	50,031,198
Management and incentive fees	*14*	**20,816,244**	25,020,591	29,641,201
Credit card commission		**6,265,220**	5,918,815	5,563,850
Dues and subscription		**3,893,774**	3,071,583	2,231,370
Data processing		**2,166,924**	2,438,617	1,425,280
Telecommunications		**1,174,547**	2,070,823	1,411,073
Entertainment		**905,428**	867,063	848,183
Advertising		**790,253**	1,240,189	1,077,385
Awards and social activities		**702,428**	686,714	557,943
Miscellaneous		**2,861,583**	4,162,326	1,589,080
		97,402,511	99,981,241	94,376,563
Corporate office				
Depreciation and amortization	*10*	**38,864,197**	36,293,759	37,563,273
Leased land rental	*14, 20*	**17,797,608**	10,678,560	10,678,560
Impairment losses on receivables		**13,156,558**	27,260	-
Taxes and licenses		**12,227,976**	8,680,760	1,698,192
Property tax		**9,265,761**	9,265,681	9,265,681
Insurance		**9,071,572**	12,620,164	11,491,995
Corporate office payroll and related expense		**7,409,803**	3,584,995	4,412,330
Professional fees		**6,977,782**	7,446,688	7,262,330
Directors' fees		**1,311,151**	1,494,626	2,111,285
Office supplies		**972,205**	1,033,836	1,255,902
Transportation and travel		**704,986**	131,533	388,636
Utility charges		**-**	7,464,596	-
Miscellaneous		**1,973,529**	824,609	829,378
		119,733,128	99,547,067	86,957,562
		P217,135,639	P199,528,308	P181,334,125

18. Earnings Per Share

Basic and diluted earnings per share are computed as follows:

	2014	2013	2012
Weighted average number of common shares:			
Balance at beginning of year	**P54,702,219**	P57,551,552	P59,927,511
Weighted average number of shares acquired during the year	**(539,141)**	(1,560,672)	(1,484,974)
	P54,163,078	P55,990,880	P58,442,537

	2014	2013	2012
Net income for the year	**P393,898**	P85,576,676	P165,366,636
Divided by weighted average number of outstanding shares	**54,163,078**	55,990,880	58,442,537
	P0.01	P1.53	P2.83

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

19. Refundable Deposits

This account consists of:

	Note	2014	2013
PAGCOR	*20*	**P25,349,438**	P25,349,438
Others		**30,770,381**	3,771,352
		56,119,819	29,120,790
Less: Current portion		**23,997,300**	-
		P32,122,519	P29,120,790

The refundable deposit pertains to the deposit paid by the lessee of the Company as required in the lease agreement.

In October 2014, the Company has a potential tenant who will occupy the previously space rented by PAGCOR. The potential tenant paid the lease deposit amounting to P23.99 million upon signing the Memorandum of Agreement.

20. Leases

Company as Lessor

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

The lease agreements with the third parties required the latter to give the Company lease deposits which amounted to a total of P50,731,770 and P26,734,470 as at December 31, 2014 and 2013, respectively, and are shown as part of "Refundable deposits" in the statements of financial position. Rent income amounted to P2,209,159 and P75,556,780 in 2014 and 2013, respectively, and is shown as "Others" under Revenue in the statements of profit or loss.

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

On February 15, 2012, the BOD of PAGCOR has decided not to renew the contract of lease which ended on July 10, 2013. Refundable deposit from PAGCOR is not yet returned to the latter pending reconciliation of account between both parties.

Company as Lessee

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

a. Annual rental on the land of P10,678,560;

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

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

On August 11, 2014, the Company and HLC agreed to amend the lease contract to increase the fee from P10,678,560 to P17,797,608 starting January 1, 2014 and to extend the lease contract from 2015 to 2040 for a period of another 25 years with no escalation of fee for the first 5 years but on the 6th year, HLC will propose a revision depending on market condition.

The rent expense on the land amounted to P17.80 million, P10.68 million and P10.68 million as shown as part of leased rental under "Administrative expenses" account in 2014, 2013 and 2012.

Future minimum rental obligations on the land are as follows:

	2014	2013	2012
Due within one year	**P17,797,608**	P10,678,560	P10,678,560
After one year but not more than five years	**88,988,040**	-	10,678,560
More than 5 years	**338,154,552**	-	-
	P444,940,200	P10,678,560	P21,357,120

21. Retirement Cost

The Company has an unfunded, noncontributory, defined benefit retirement plan covering substantially all of its employees, except for its Board of Directors and Expatriates. It provides a retirement benefit equal to eighty-six (86%) of monthly salary per year of services payable to an employee who retires at age of 60 with at least 5 years in service. Annual cost is determined using the projected unit credit method. The Company's latest valuation date is December 31, 2014.

The recognized liability representing the present value of the defined benefit obligation presented as "Accrued retirement benefits liability" in the Company's statements of financial position amounted to P26,634,668 and P21,914,777 as at December 31, 2014 and 2013, respectively.

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

	2014	2013
Balance at January 1	**P21,914,777**	P23,428,474
Included in Profit or Loss		
Current service cost	**1,988,063**	1,442,564
Interest cost	**964,250**	1,382,280
	2,952,313	2,824,844
Included in OCI		
Remeasurements loss:		
Actuarial loss (gain) arising from:		
Financial assumptions	**(1,144,185)**	3,501,119
Experience adjustment	**3,128,766**	(2,031,135)
	1,984,581	1,469,984
Others		
Benefits paid	**(217,003)**	(5,808,525)
Balance at December 31	**P26,634,668**	P21,914,777

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

	2014	2013	2012
Current service cost	**P1,988,063**	P1,442,564	P1,894,478
Interest cost	**964,250**	1,382,280	1,981,887
Retirement benefits cost	**P2,952,313**	P2,824,844	P3,876,365

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

	2014	2013	2012
Cumulative actuarial gain at the beginning of the year	**P8,693,207**	P10,163,191	P4,653,539
Actuarial (loss) gain arising from:			
Financial assumptions	**1,144,185**	(3,501,119)	5,993,430
Experience adjustment	**(3,128,766)**	2,031,135	(483,778)
Retirement benefits cost	**P6,708,626**	P8,693,207	P10,163,191

The net accumulated actuarial gains, net of deferred tax amounted to P4,696,038, P6,085,245 and P7,114,234 as at December 31, 2014, 2013 and 2012, respectively, as presented in the statements of changes in equity.

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

	2014	2013	2012
Discount rate	**5%**	5%	6%
Future salary increases	**3%**	3%	3%

Assumptions regarding future mortality have been based on published statistics and mortality rates of the 1985 Unisex Annuity table.

Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	Increase	Decrease
Discount rate (1% movement)	(P2,667,348)	P3,116,315
Future salary increase rate (1% movement)	2,998,221	(2,616,459)

Although the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

The weighted-average duration of the defined benefit obligation is 13 years as at December 31, 2014 and 2013.

Maturity analysis of the benefit payments:

	2014				
	Carrying Amount	**Contractual Cash Flows**	**Less than 5 Years**	**5 Years but Less than 10 Years**	**More than 10 Years**
Retirement benefits liability	**P26,634,668**	**P132,635,407**	**P11,844,199**	**P9,331,494**	**P111,459,714**

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

22. Income Tax

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

	2014	2013	2012
Current tax expense	**P9,802,073**	P34,405,405	P70,467,505
Deferred tax expense (benefit)	**(6,230,909)**	3,798,738	(1,895,945)
	P3,571,164	P38,204,143	P68,571,560

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

	2014	2013	2012
Income before income tax	**P3,965,062**	P123,780,819	P233,938,196
Income tax expense at statutory tax rate (30%)	**P1,189,519**	P37,134,246	P70,181,459
Additions to (reductions in) income tax resulting from the tax effects of:			
Income subjected to final tax	**(200,879)**	(735,123)	(1,467,696)
Equity in net income of an associate	**(532,230)**	(183,312)	(136,577)
Non deductible expense (nontaxable income)	**3,114,754**	1,988,332	(5,626)
	P3,571,164	P38,204,143	P68,571,560

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

	Assets		Liabilities		Net	
	2014	2013	**2014**	2013	**2014**	2013
Accrued retirement benefits liability	**P10,002,988**	P9,182,395	**P -**	P -	**P10,002,988**	P9,182,395
Allowance for impairment losses on receivables	**3,993,653**	46,686	**-**	-	**3,993,653**	46,686
Unrealized foreign exchange loss (gain)	**414,086**	-	**-**	(1,049,263)	**414,086**	(1,049,263)
Actuarial gain on defined benefit plan	**-**	-	**(2,012,588)**	(2,607,962)	**(2,012,588)**	(2,607,962)
	P14,410,727	P9,229,081	**(P2,012,588)**	(P3,657,225)	**P12,398,139**	P5,571,856

23. Appropriation of Retained Earnings

The Company has appropriated the amounts of P49,242,500, P142,466,650 and P118,797,950 in 2014, 2013 and 2012, respectively, to finance the acquisition of treasury stock during those years.

24. Share Capital

a. Capital Stock

	2014	2013
Authorized - 115,000,000 shares at 10 par value shares		
Issued	**87,318,270**	87,318,270
Less treasury stock	**(33,600,901)**	(32,616,051)
Total issued and outstanding	**53,717,369**	54,702,219

b. Treasury Stock

The movement of treasury stock as at December 31 are as follows:

	2014	2013	2012
Balance at beginning of year	**32,616,051**	29,766,718	27,390,759
Acquisition of treasury stock during the year	**984,850**	2,849,333	2,375,959
	33,600,901	32,616,051	29,766,718

25. Dividend Declaration

On May 15, 2012, the Board of Directors of the Company declared cash dividends equivalent to P119,855,022 out of the unrestricted retained earnings as at December 31, 2011 payable on or before June 22, 2012 to the stockholders of record as of May 29, 2012. No dividends were declared in 2014 and 2013. As at December 31, 2014 and 2013, there were no dividends payable.

26. Financial Risk and Capital Management Objectives and Policies

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

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

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

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

The Company's Audit Committee assists the BOD in fulfilling its oversight responsibility of the Company's corporate governance process relating to the: a) quality and integrity of the Company's financial statements and financial reporting process and the Company's systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the Company's financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance by the Company with legal and regulatory requirements, including the Company's disclosure control and procedures; e) evaluation of management's process to assess and manage the Company's enterprise risk issues; and f) fulfillment of the other responsibilities set out by the BOD. The Audit Committee also prepares the reports required to be included in the Company's annual report.

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

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

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

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

The carrying amount of financial assets as of December 31, 2014 and 2013 represents the maximum credit exposure. The maximum exposure to credit risk at the reporting dates is as follows:

	Note	**2014**	2013
Cash and cash equivalents (excluding cash on hand)	*4*	**P236,282,563**	P205,293,155
Receivables - net	*5, 14*	**304,110,706**	322,009,422
Loan receivable	*9, 14*	**15,500,000**	15,500,000
Due from related parties	*14*	**350**	1,885,100
Lease deposit	*11*	**78,000,000**	78,000,000
		P633,893,619	P622,687,677

Details of trade receivables from charge customers as at December 31, 2014 and 2013 by type of customer are as follows:

	Note	**2014**	2013
PAGCOR		**P8,936,199**	P8,936,199
Credit cards		**4,158,078**	5,394,442
Airlines		**7,310,132**	4,960,973
Corporations		**5,216,038**	4,313,158
Travel agencies		**3,389,789**	4,223,105
Others		**7,438,374**	3,125,398
	5	**36,448,610**	30,953,275
Less allowance for impairment losses on trade receivables - charge customers	*5*	**387,679**	155,621
		P36,060,931	P30,797,654

The Company's most significant customer, PAGCOR, accounts for 24.52% and 28.87% of the trade receivables from charge customers as at December 31, 2014 and 2013, respectively. Revenues from PAGCOR approximately amounted to P98,193,426 and P202,933,825 in 2013 and 2012, respectively, and represent 17% and 30% of the Company's total revenues, respectively. As mentioned in Note 20, PAGCOR has decided not to renew the contract of lease which ended on July 10, 2013.

The aging of trade receivables from charge customers as at December 31, 2014 and 2013 is as follows:

	2014		2013	
	Gross Amount	**Impairment**	Gross Amount	Impairment
Current	**P17,083,679**	**P -**	P14,792,658	P -
Over 30 days	**7,006,072**	**-**	5,982,920	-
Over 60 days	**2,908,643**	**-**	795,860	-
Over 90 days	**9,450,216**	**387,679**	9,381,837	155,621
	P36,448,610	**P387,679**	P30,953,275	P155,621

Receivables from PAGCOR amounting to P8,936,199 included in over 90 days are still collectible based on management's assessment of collection history, thus no impairment was provided. In addition, any amount outstanding from PAGCOR can be offset against the deposit received from it as discussed in Note 20.

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

	Amount
Balance at January 1, 2013	P128,361
Provision in 2013	27,260
Balance at December 31, 2013	155,621
Provision in 2014	13,156,558
Balance at December 31, 2014	P13,312,179

The allowance for impairment losses on trade receivables as of December 31, 2014 and 2013 of P13,312,179 and P155,621, respectively, relates to outstanding accounts of customers that are more than 90 days past due and portion of receivable from PAGCOR account.

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

	As at December 31, 2014			
	Grade A	**Grade B**	**Grade C**	**Total**
Cash in banks and cash equivalents	**P236,282,563**	**P -**	**P -**	**P236,282,563**
Receivables - net	**36,388,353**	**35,140,204**	**232,582,149**	**304,110,706**
Loan receivable	**-**	**15,500,000**	**-**	**15,500,000**
Due from related parties	**350**	**-**	**-**	**350**
Lease deposit	**78,000,000**	**-**	**-**	**78,000,000**
	P350,671,266	**P50,640,204**	**P232,582,149**	**P633,893,619**

	As at December 31, 2013			
	Grade A	Grade B	Grade C	Total
Cash in banks and cash equivalents	P205,293,155	P -	P -	P205,293,155
Receivables - net	32,239,657	54,675,306	235,094,459	322,009,422
Loan receivable	-	15,500,000	-	15,500,000
Due from related parties	-	1,885,100	-	1,885,100
Lease deposit	78,000,000	-	-	78,000,000
	P315,532,812	P72,060,406	P235,094,459	P622,687,677

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

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

Liquidity Risk

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

The Company's total current liabilities as at December 31, 2014 and 2013 amounted to P316,573,695 and P306,869,660, respectively, which are less than its total current assets of P582,912,986 and P577,350,558, respectively. Thus, the Company has sufficient funds to pay for its current liabilities and has minimal liquidity risk.

Market Risk

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

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

Room Rates

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

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

Interest Rate Risk
The Company has no interest-bearing debt obligations to third parties and its receivables are subject to fixed interest rates. As such, the Company has minimal interest rate risk.

Foreign Currency Risk
Financial assets and financing facilities extended to the Company were mainly denominated in Philippine peso and have minimal transactions in foreign currency. Net foreign exchange gain from the revaluation of the Company's cash and cash equivalent amounted to P180,991 and P7,126,239 for the years ended December 31, 2014 and 2013, respectively. 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:

	2014		2013	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Cash and cash equivalents	**P237,078,063**	**P237,078,063**	P205,890,655	P205,890,655
Receivables - net	**304,110,706**	**304,110,706**	322,009,422	322,009,422
Loan receivable	**15,500,000**	**15,500,000**	15,500,000	15,500,000
Due from related parties	**350**	**350**	1,885,100	1,885,100
Lease deposit	**78,000,000**	**78,000,000**	78,000,000	78,000,000
Accounts payable and accrued expenses	77,919,262	77,919,262	77,567,689	77,567,689
Due to related parties	6,090,243	6,090,243	2,115,421	2,115,421
Other current liabilities*	20,752,217	20,752,217	18,669,841	18,669,841

**Excluding payables to government*

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

Receivables/Due from Related Parties/Loan Receivable/Accounts Payable and Accrued Expenses/Due to Related Parties/Other Current Liabilities Except for Output VAT Liability and 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 monitors capital on the basis of the debt-to-equity ratio which is calculated as total debt divided by total equity. Total debt is equivalent to accounts payable and accrued expenses, income tax payable, due to related parties, other current liabilities, refundable deposits and accrued retirement benefits liability. Total equity comprises mainly of the capital stock, additional paid-in capital and retained earnings.

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

As at December 31, 2014 and 2013, the Company is compliant with the minimum public float requirement by the Philippine Stock Exchange (PSE).

The Company has 115,000,000 shares registered with the SEC as at December 31, 2014 and 2013. As at December 31, 2014 and 2013, the Company issue/offer price is P25 and P45 based on the Philippine Stock Exchange (PSE) website. The total number of shareholders is 506 as at December 31, 2014 and 2013.

27. Contingencies

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

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

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRSs. The following is the tax information required for the taxable year ended December 31, 2014:

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

A. Sales/Receipts/Fees

	Regular/ Normal Rate
Sale of services	**P325,929,967**
Sale of goods	**141,017,832**
	P466,947,799

B. Cost of Sales/Services

	Regular/ Normal Rate
Cost of sales	
Merchandise/finished goods inventory, beginning	**P13,582,447**
Add: Purchases of merchandise/cost of goods manufactured	**56,696,788**
Total goods available for sale	**70,279,235**
Less: Merchandise/finished goods inventory, end	**(13,993,229)**
	P56,286,006

C. Non-Operating and Taxable Other Income

	Regular/ Normal Rate
Interest income	**P4,674,995**
Others	**19,826,718**
	P24,501,713

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

	Regular/ Normal Rate
Salaries and allowances	**P126,432,853**
Repairs and maintenance-materials and supplies	**98,794,538**
Depreciation	**38,864,197**
Management and consultancy fee	**20,816,244**
Office supplies	**14,864,096**
Insurance	**9,071,572**
Commissions	**14,688,957**
Taxes and licenses	**11,717,275**
Rental	**17,797,608**
Professional fees	**6,977,782**
Transportation and travel	**7,195,705**
Dues and subscription	**3,893,774**
Fuel and oil	**2,652,540**
Data processing	**2,166,924**
Representation and entertainment	**1,984,098**
Directors fee	**1,311,151**
Advertising	**790,253**
Other hotel expenses	**22,470,366**
	P402,489,933

II. Based on RR No. 15-2010

A. Value Added Tax (VAT)

1. Output VAT	**P55,009,243**
Account title used:	
Basis of the Output VAT:	
Vatable sales	**P458,410,362**
Exempt sales	**2,689,321**
Zero rated sales	**5,848,116**
	P466,947,799

2. Input VAT	
Beginning of the year	**P11,200,062**
Current year's domestic purchases:	
a. Goods for resale/manufacture or further processing	**7,627,134**
b. Services lodged under other accounts	**21,394,456**
Less: Applied input VAT during the year	**33,495,293**
Balance at the end of the year	**P6,726,359**

B. Withholding Taxes

Tax on compensation and benefits	**P20,805,321**
Creditable withholding taxes	**8,274,623**
Final withholding taxes	**72,583**
	P29,152,527

C. All Other Taxes (Local and National)

Other taxes paid during the year recognized under "Taxes and licenses" account under Operating Expenses	
Real estate taxes	**P9,265,761**
License and permit fees	**1,748,246**
Others	**703,268**
	P11,717,275

D. Deficiency Tax Assessments

Period Covered	**Amount***
2001	**P765,104**
2002	**228,943,589**
2008	**262,576,825**
2010	**1,656,322**
	P493,941,840

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

E. Tax Cases

As at December 31, 2014, 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.

c. 2008 - The Company's management, with the assistance of its tax counsel, is studying further administrative and/or legal remedies in relation to the Company's request for re-investigation and re-computation for alleged tax liability.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 6 6 8 7 8

Company Name

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

Principal Office (No./Street/Barangay/City/Town)Province)

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
506		December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Yam Kit Sung		854-8838	

Contact Person's Address

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