Print this page

Miscellaneous

* Asterisks denote mandatory information

Name of Announcer *	CITY DEVELOPMENTS LIMITED
Company Registration No.	196300316Z
Announcement submitted on behalf of	CITY DEVELOPMENTS LIMITED
Announcement is submitted with respect to *	CITY DEVELOPMENTS LIMITED
Announcement is submitted by *	Enid Ling Peek Fong
Designation *	Company Secretary
Date & Time of Broadcast	04-Nov-2010 12:38:37
Announcement No.	00032

>> Announcement Details

The details of the announcement start here ...

Announcement Title *	Announcement by Subsidiary Company, Grand Plaza Hotel Corporation on Results for the Third Quarter and Nine Months Ended 30 September 2010
Description	Please see attached the above announcement issued by Grand Plaza Hotel Corporation on 4 November 2010.
Attachments	GPHC_SEC17Q3rdQ2010final.pdf Total size = **1061K** (2048K size limit recommended)

Close Window

111042010000045

SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills,Mandaluyong City, Metro Manila,Philippines
Tel:(632) 726-0931 to 39 Fax:(632) 725-5293 Email: mis@sec.gov.ph

Barcode Page
The following document has been received:

Receiving Officer/Encoder : Darwin San Jose
Receiving Branch : SEC Head Office
Receipt Date and Time : November 04, 2010 09:06:25 AM
Received From : Head Office

Company Representative

Doc Source

Company Information

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

Document Information

Document ID	111042010000045
Document Type	17-Q (FORM 11-Q:QUARTERLY REPORT/FS)
Document Code	17-Q
Period Covered	September 30, 2010
No. of Days Late	0
Department	CFD
Remarks	

COVER SHEET

1 6 6 8 7 8

S.E.C. Registration Number

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

(Company's Full Name)

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

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

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

Y A M   K I T   S U N G

Contact Person

8 5 4 8 8 3 8

Company Telephone Number

1 2 | 3 1

Month *Day*

Fiscal Year

S E C 17 Q

FORM TYPE

0 5 | 1 5

Month *Day*

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1 For the quarterly period ended **September 30, 2010**

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

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

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

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

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

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

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

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

Title of each Class	Number of shares of common Stock outstanding and amount Of debt outstanding
COMMON SHARES	**87,318,270***
*includes 22,337,637 treasury shares	

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

Yes [X] No [ ]

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

PHILIPPINE STOCK EXCHANGE, INC. **COMMON**

12. Indicate by check mark whether the registrant:

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

Yes [X]   No [   ]

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

Yes [X]   No [   ]

PART I – FINANCIAL INFORMATION

Item 1 Financial Statements

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

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

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

PART II – OTHER INFORMATION

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

SIGNATURES

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

Issuer **YAM KIT SUNG**
Signature and Title ____________ **General Manager & Chief Financial Officer**
Date 22 October 2010

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements Required Under SRC Rule 68.1

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

Notes to Financial Statements

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

The same accounting policies and methods of computation are followed in the interim financial statements for the year 2008 as compared with the most recent annual financial statements.

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

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

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

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

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

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

The Company organized its business into 4 main segments:

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

The segment revenues and results are as follows:

	YTD 3rd Quarter Revenue – Peso	YTD 3rd Quarter Department Profit - Peso
Room	278,949,662	242,071,792
Food and Beverage	138,429,068	62,689,169
Other Operated Departments	8,083,792	3,452,054
Others	86,967,792	86,967,792

Subsequent Events
None

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

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

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

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

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

Balance Sheet Analysis	**30 September 2010**	30 September 2009	31 December 2009
Current ratio	**1.59**	1.44	1.87
Net book value per share (include treasury shares)	**PhP12.61**	PhP12.09	PhP12.54
Profit & Loss Analysis			
Earnings per share	**PhP2.16**	PhP1.54	PhP2.13
Profit before tax margin ratio	**36.9%**	30.5%	31.39%
EBITDA	**PhP211M**	PhP166M	PhP232.1M

Current ratio is derived by dividing the current assets with the current liabilities. This indicator measures the liquidity of the Company in the short-term. Current ratio has increased by 0.15 as compared to last year same period. The increase is mainly due to significantly higher cash balances.

Net book value per share is derived by dividing the net stockholders' equity by the total number of shares issued. This measures the value of the Company on a per share basis. There is an increase of PhP0.52 in net book value compared to the same period of last year as a result of higher asset values.

Earning per share (EPS) is derived by dividing the net profit after tax by the total shares outstanding. This indicator measures the earning of the Company on a per share basis. As compared to the same period last year, EPS is higher by PhP0.62 per share or 40%. The higher EPS is due to higher total revenue and profit after tax. Total revenue has increased by about 10% as compared to the same period of last year.

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

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

Balance Sheets Analysis:

Total assets increased by about PhP89.3 million or 6% as compared to the same period last year and increased by PhP47 million or 3% as compared to year ended 31 December 2009. The increase is mainly in cash.

Cash and short term notes:
This balance includes short-term fixed deposits with banks. There is an increase of PhP56.3 million or 25% as compared to the end of last fiscal year and increase of PhP126 million or 80% relative to last year same period. The significant increase in cash balance is due to better trading for the first 9 months of the year. Moreover, there are no major capital expenditures this year. In order for the Company to secure a Surety Bond in September 2008, the Company signed a Deed of Assignment of Saving/Time Deposit with Prudential Guarantee And Assurance Inc. with an amount of Ph93 million that is placed with Australian and New Zealand Banking Corp. Manila.

Accrued Interest Receivables:
Accrued interest receivable increased by PhP0.538 million as compared to the same period of year and this is due to higher cash balance for short-term notes placement compared with last year.

Accounts receivable – others:
As compared to the same period of last year and end of last fiscal year, there is an increase of PhP13.2 million and PhP6 million respectively. This is mainly because tenants have not paid their utilities bills yet.

Deferred income tax:
As compared to the same period of last year, there is a decrease of PhP4.6 million. This is because in prior year, there was an unrealized foreign exchange loss of PhP3.5 million while in the current period, the unrealized foreign exchange loss is only PhP0.2 million.

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

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

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

As compared with the end of last fiscal year and same period of last year, there is an increase of about PhP14 million and drop of PhP5 million respectively as the companies have not repaid their balances outstanding during the year.

Prepaid expenses:
Compared to the end of last fiscal year, there is an increase of PhP3.5 million while compared to the same period of last year, there is a decrease of PhP3 million. The main reason is for the increase is due to the payment of insurance premium for the surety bond.

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

There is a decrease of PhP32 million and PhP29 million compared with the same period of last year and end of last fiscal year respectively. The decrease is mainly due to depreciation charges for the year.

Accounts payable:
There is an increase of PhP21 million in this balance as compared against the same period of last year due to the VAT payable of PAGCOR transactions.

Rental payable:
As compared with the end of last fiscal year, there is an increase PhP7.6 million as the Company has not settled its rental to a related company. This will be settled in the last quarter of year 2010.

Due to associated/related companies:
As compared against the same period of last year, there is an increase of PhP4.6 million as the Company has not repaid its inter-company balances during the year.

There is an increase of PhP11 million as compared to end of last fiscal year as the related company has not settled its new obligation during the year.

Income Tax Payable:
Income tax payable decreased by PhP11.6 million as compared to 31 December 2009 and PhP5.7 million as versus the same period of last year because for this year, the Company has higher creditable withholding tax.

Treasury stock:
During the year 2010, the Company embarked on a share buyback exercise which is duly approved by the Board of Directors. The buyback offer is 1 share for every 25 shares and at the price of PhP50 per share. When the buyback offer was completed, the Company spent PhP128 million in this exercise.

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

Income Statement Analysis For the 9 Months Ended 30 September 2010:

Revenue:
Total revenue increased by PhP49.9 million or 10% as compared to the same period last year. The increase is observed in rooms, other operated departments and rental income segments of the business. With the strong growth in world economy and the smooth Presidential Election in year 2010, the overall Philippines economy also showed positive growth. These favorable conditions helped to improve the tourism market.

Room revenue improved by PhP37.9 million or 15% as a result of higher occupancy. Occupancy showed an increase from 53% (year 2009) to 65% (year 2010). Average Room Rate (ARR) dropped marginally PhP175 or 4% as compared to year 2009. The overall effect is an increase in room revenue by 15%.

Food and beverage (F&B) business showed a drop of about PhP1.8 million or 1.3% versus the same period last year. Banquet department showed an improvement in revenue by PhP2.7 million versus last year same period. However, the increase in banquet revenue is offset by the significant drop in casino revenue of about PhP5.1 million or 14% as compared to last year. The opening of the new Resort World Casino has severely affected the business of Pagcor managed casino in Metro Manila including our hotel. The Riviera café showed a marginal increase in revenue of 1.5% versus last year. The increase is mainly from breakfast segment as occupancy has increase significantly against last year.

The increase in Other Operated Departments is mainly due to higher telephone revenue. The hotel has partnered with a third party to help to increase telephone revenue earlier this year and the result is positive. Telephone revenue has increased from PhP1 million to PhP6 million for the first 9 months of this year. As such, total revenue for Other Operated Departments also showed a significant increase in revenue.

Cost of Sales:
Cost of sales for other operated departments increased by PhP2.5 million as versus last year same period due to higher telephone revenue. As discussed earlier, telephone revenue has increased by about PhP5 million from the same period of last year. Cost of sales also increased correspondingly but the profit of telephone has also improved to a profit of PhP2 million compared with a loss of PhP0.1 million in the prior year.

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

Operating Expenses:
Operating expenses include among others, payroll and related expenses, utilities, depreciation charges, rental and other fixed expenses. There is a slight increase in operating expenses of PhP1.3 million or less than 1% as compared to the same period of last year. The main reason is due to various profit protection plan implemented by the

Hotel such as outsourcing of certain operating departments and non-replacement of staff who resigned unless in vital positions.

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

Non-operating income:
Total non-operating income increased by PhP2.4 million as compared to the same period of last year. This is due to a smaller foreign exchange loss of PhP0.1 million as compared to last year loss of PhP1.5 million.

Provision for income tax:
Income tax increased by PhP13 million or 31% versus last year due to higher profit before tax.

Income Statement Analysis For the Third Quarter Ended 30 September 2010:

Revenue:
Total revenue increased by PhP15 million or 10% as compared to the same period last year. The main increment is from Rooms, Other Operated Departments and Rental business.

Room revenue showed an increase of PhP12.4 million or 17%. This is due to higher occupancy. F&B business registered a drop of PhP5.2 million in revenue as a result of lower revenue in casino.

Cost of Sales:
Cost of sales for F&B registered a decrease as compared to last year. The decrease is due to lower revenue. Other operated departments increased in cost of sales due to higher revenue.

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

Operating Expenses:
Operating expenses include among others, payroll and related expenses, utilities, depreciation charges, rental and other fixed expenses. There is an increase in operating expenses by PhP7 million due to salary adjustment made in the third quarter of this year.

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

Non-operating income:
There is a net loss of PhP1 million mainly due to a net exchange loss of PhP3.6 million.

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

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

Management is not aware of any event that may trigger direct or contingent financial obligations that is material to the Company, including any default or acceleration of an obligation. Management is not aware of any material off-balance sheet transaction, arrangement, obligation (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons that were created during the first 9 months of 2010.

PART II – OTHER INFORMATION

Tax matter:

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company is still awaiting the decision from the CTA.

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

<u>Financial Risk Exposure:</u>

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

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

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

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

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

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

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

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

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

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

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

Credit Risk

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

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

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

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

Liquidity Risk

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

Market Risk

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

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

Room Rates

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

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

Interest Rate Risk

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

Foreign Currency Risk

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

The Company functional currency is Philippines peso. As at 30 September 2010, it holds bulk of its cash and cash equivalent in Philippines peso of Peso206 million and United States dollars of about US$1.7 million. The United States dollars are used to settle foreign obligations. As such, the Company does not have currency risk exposure.

The Company does not have any third party loans so it has no interest rate risk. The Company in the ordinary course of business extends credit to its customers. Exposure to credit risk is monitored on an ongoing basis, credit review being performed for clients requesting for credit limit. The total exposure to trade receivables as at 30 September 2010 is Peso27 million.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility. As at 30 September 2010, the Company has Peso605 million current assets and Peso381 million liabilities so the current assets are able to cover its liability.

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

The Company also does not invest in foreign securities.

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

	30 Sept 2010	30 Sept 2010	31 December 2009	31 December 2009
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	282,280,124	282,280,124	225,930,716	225,930,716
Receivables net	250,497,905	250,497,905	267,491,850	267,491,850
Due from related party	37,300,445	37,300,445	5,045,714	5,045,714
Loan receivable	15,500,000	15,500,000	15,500,000	15,500,000
Lease deposit	78,000,000	78,000,000	78,000,000	78,000,000
Accounts payable & accrued expenses	276,159,750	276,159,750	270,766,678	270,766,678
Due to related party	31,029,484	31,029,484	19,877,947	19,877,947

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

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

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

GRAND PLAZA HOTEL CORPORATION
Balance Sheets
September 30, 2010 and 2009
(With comparative figures for the year ended December 31, 2009)
(In Philippine Pesos)

ASSETS	Unaudited Sept. 30, 2010	Unaudited Sept. 30, 2009	Audited Dec. 31, 2009
Current Assets			
Cash and short-term notes	282,280,124.16	156,804,313.17	225,930,716.49
Accrued interest receivable	695,059.26	157,904.33	274,500.95
Accounts receivable - trade	236,248,444.76	224,997,335.81	239,888,519.76
Accounts receivable - others	13,915,423.26	627,955.27	7,862,863.01
Provision for bad debts	(361,021.00)	(436,351.00)	(568,223.00)
Deferred income tax	1,266,592.94	5,962,745.35	6,360,601.47
Advances to associated/related companies	36,971,576.25	41,092,959.95	22,879,385.55
Advances to immediate holding company	328,869.46	773,186.71	56,112.00
Inventories	12,134,282.83	11,589,703.54	10,403,561.69
Prepaid expenses	7,812,098.55	10,830,268.12	4,312,834.54
Creditable withholding tax	(11,490.71)	246,518.14	11,900.04
Other current assets	14,682,779.37	31,469,125.12	12,509,426.01
Advances to/from THHM	-	-	(158,920.88)
Total Current Assets	*605,962,739.13*	*484,115,664.51*	*529,763,277.63*
Property and Equipment	*730,175,312.25*	*762,710,186.70*	*759,337,255.65*
Investment in Stock of Associated Company	*46,959,501.65*	*46,889,664.86*	*46,801,413.28*
Deposit on Lease Contract	*78,000,000.00*	*78,000,000.00*	*78,000,000.00*
Loans Receivable	*15,500,000.00*	*15,500,000.00*	*15,500,000.00*
Other Assets			
Miscellaneous investments and deposits	5,085,790.50	5,085,790.50	5,085,790.50
Others	1,010,000.00	1,010,000.00	1,010,000.00
Total Other Assets	*6,095,790.50*	*6,095,790.50*	*6,095,790.50*
Total Assets	***1,482,693,343.53***	***1,393,311,306.57***	***1,435,497,737.06***

GRAND PLAZA HOTEL CORPORATION
Balance Sheets
September 30, 2010 and 2009
(With comparative figures for the year ended December 31, 2009)
(In Philippine Pesos)

LIABILITIES AND STOCKHOLDERS' EQUITY	**Unaudited Sept. 30, 2010**	**Unaudited Sept. 30, 2009**	**Audited Dec. 31, 2009**
Current Liabilities			
Accounts payable	224,437,274.25	203,852,744.46	217,427,602.45
Accrued liabilities	51,722,476.11	48,973,075.52	53,339,076.34
Rental payable	7,679,659.40	11,426,059.20	62,286.60
Due to associated/related companies	31,029,484.89	26,358,367.92	19,877,947.57
Refundable deposit	29,208,838.16	28,407,294.81	28,132,001.91
Deferred rental - Pagcor	27,311,891.22	1,718,563.78	1,718,563.78
Dividend payable		-	
Income tax payable	4,232,234.46	9,962,743.66	15,842,145.63
Other current liabilities	3,886,680.80	3,608,378.42	4,344,331.92
Reserves	2,237,172.91	2,626,699.65	
Total Current Liabilities	*381,745,712.20*	*336,933,927.42*	*340,743,956.20*
Long - Term Liabilities			
Reserves			
Total Long - Term Liabilities	-	-	-
Capital Stock			
Authorized - 115,000,000 shares in 2008 and 2007 at P10.00 par value per share			
Capital stock	873,182,699.00	873,182,699.00	873,182,699.00
Premium on capital stock	11,965,903.78	11,965,903.78	11,965,903.78
Paid-in capital in excess of par - Warrants	2,691,613.81	2,691,613.81	2,691,613.81
Treasury stock	(1,245,759,170.00)	(1,116,857,170.00)	(1,116,857,170.00)
Retained earnings/(deficit) - beginning	1,323,770,734.27	1,185,453,458.51	1,185,453,458.51
Retained profit/(loss) for the period	135,095,850.47	99,940,874.05	138,317,275.76
Dividend declared	-	-	
Total Stockholders' Equity	*1,100,947,631.33*	*1,056,377,379.15*	*1,094,753,780.86*
Total Liabilities and Stockholders' Equity	***1,482,693,343.53***	***1,393,311,306.57***	***1,435,497,737.06***

GRAND PLAZA HOTEL CORPORATION
Income Statements
For the years ended September 30, 2010 and 2009
(With comparative figures for the year ended December 31, 2009)
(In Philippine Pesos)

	Unaudited Year-to-date Sept. 30, 2010	Unaudited Year-to-date Sept. 30, 2009	Audited Full Year Dec. 31, 2009
Revenue			
Rooms	278,949,662	241,037,914	329,614,729
Food & Beverage	138,429,068	140,313,299	192,402,411
Other Operated Depts.	8,083,290	2,881,991	4,247,054
Rental Income/Others	86,967,792	78,207,449	105,479,094
Total Revenue	*512,429,812*	*462,440,653*	*631,743,287*
Cost of Sales			
Food & Beverage	40,974,786	40,772,493	56,972,455
Other Operated Depts.	3,433,764	864,188	1,155,999
Total Cost of Sales	*44,408,551*	*41,636,680*	*58,128,454*
Gross Profit	468,021,262	420,803,972	573,614,834
Operating Expenses	285,771,015	284,383,140	381,617,723
Net Operating Income	*182,250,246*	*136,420,833*	*191,997,110*
Non-operating Income/(Loss)			
Interest Income	7,248,005	6,057,725	7,817,319
Dividend Income	-	74,150	74,150
Gain/(Loss) on Disposal of Fixed Assets	-	825	825
Exchange Gain/(Loss)	(128,635)	(1,556,192)	(1,702,748)
Share in Net Income/(Loss) of Associated Co.	158,088	215,189	126,937
Other Income	0.30	0.30	-
Total Non-Operating Income	*7,277,458*	*4,791,696*	*6,316,484*
Net Income/(Loss) Before Tax	189,527,705	141,212,529	198,313,594
Provision for Income Tax	54,431,854	41,271,655	59,996,318
Net Income/(Loss) After Tax	***135,095,851***	***99,940,874***	***138,317,275***
Earnings per share	***2.16***	***1.54***	***2.13***
Dilluted earnings per share	***2.16***	***1.54***	***2.13***

Notes:

In September 2010, total shares outstanding is 62,402,593 shares net of 24,915,677 treasury shares.
In September & December 2009, total shares outstanding is 64,980,633 shares net of 22,337,637 treasury shares.

GRAND PLAZA HOTEL CORPORATION
Income Statements
For the 3rd quarters ended September 30, 2010 and 2009
(In Philippine Pesos)

	Unaudited 3rd Quarter Sept. 30, 2010	Unaudited 3rd Quarter Sept. 30, 2009
Revenue		
Rooms	85,318,609	72,861,906
Food & Beverage	40,361,208	45,645,802
Other Operated Depts.	3,317,767	873,015
Rental Income/Others	31,012,393	25,595,341
Total Revenue	*160,009,977*	*144,976,064*
Cost of Sales		
Food & Beverage	12,666,353.43	13,266,484.30
Other Operated Depts.	1,155,056.91	205,353.98
Total Cost of Sales	*13,821,410*	*13,471,838*
Gross Profit	146,188,567	131,504,225
Operating Expenses	98,431,740	91,428,858
Net Operating Income	*47,756,826*	*40,075,368*
Non-operating Income/(Loss)		
Interest Income	2,519,205	1,753,260
Dividend Income	-	-
Gain/(Loss) on Disposal of Fixed Assets	-	-
Exchange Gain/(Loss)	(3,610,477)	(5,668,666)
Share in Net Income/(Loss) of Associated Co.	75,913	(101,131)
Total Non-Operating Income	*(1,015,359)*	*(4,016,537)*
Net Income/(Loss) Before Tax	46,741,467	36,058,830
Provision for Income Tax	13,436,340	10,672,635
Net Income/(Loss) After Tax	***33,305,127***	***25,386,195***

GRAND PLAZA HOTEL CORPORATION
Statements of Changes in Equity
For the years ended September 30, 2010 and 2009
(With comparative figures for the year ended December 31, 2009)
(In Philippine Pesos)

	Year-to-date Sept. 30, 2010	Year-to-date Sept. 30, 2009	Audited Dec. 31, 2009
Balance - beginning	**1,094,753,781**	**1,090,630,455**	**1,090,630,455**
Prior period adjustment	-		
Balance - as adjusted	**1,094,753,781**	**1,090,630,455**	**1,090,630,455**
Net income for the period	135,095,850	99,940,874	138,317,276
Dividends	-	-	
Buyback of shares	(128,902,000)	(134,193,950)	(134,193,950)
Balance - end	***1,100,947,631***	***1,056,377,379***	***1,094,753,781***

GRAND PLAZA HOTEL CORPORATION
Cash Flow Statements
For the years ended September 30, 2010 and 2009
(With comparative figures for the year ended December 31, 2009)
(In Philippine Pesos)

	Unaudited Year-to-date Sept. 30, 2010	Unaudited Year-to-date Sept. 30, 2009	Audited Full Year Dec. 31, 2009
Cash flows from operating activities			
Net income	135,095,850	99,940,874	138,317,276
Adjustments to reconcile net income to net cash			
provided by operating activities			
Prior period adjustments	-		-
Depreciation and amortization	29,254,801	29,755,430	39,704,531
Equity in net income of associated company	(158,088)	(215,189)	(126,937)
Provision for bad debts	361,021	436,351	568,223
Changes in operating assets and liabilities			
(Increase) decrease in			
Accrued interest receivable	(420,558)	102,254	(14,343)
Accounts receivable - trade	3,071,852	1,672,002	(13,219,182)
Accounts receivable - others	(6,052,560)	2,934,180	(4,300,728)
Deferred income tax	5,094,009	497,146	99,290
Advances to associated company	(14,092,191)	(27,546,943)	(9,333,369)
Advances to immediate holding company	(272,757)	(720,267)	(3,192)
Inventories	(1,730,721)	1,281,468	2,467,610
Prepaid expenses	(3,499,264)	8,168,013	14,685,446
Creditable withholding tax	23,391	(82,749)	151,869
Other current assets	(2,173,353)	(10,831,419)	8,128,280
Increase (decrease) in			
Accounts payable	7,009,672	(14,437,012)	(862,154)
Accrued liabilities	(1,616,600)	(3,233,307)	1,132,693
Rental payable	7,617,373	8,569,544	(2,794,228)
Due to associated company	11,151,537	17,963,505	11,483,084
Refundable deposit	1,076,836	2,752,228	2,476,935
Deferred rental - Pagcor	25,593,327	100	100
Dividend payable	-	-	-
Income tax payable	(11,609,911)	(8,646,188)	(2,766,786)
Other current liabilities	(457,651)	39,681	775,635
Reserves	2,237,173	2,626,700	-
	185,344,265	111,026,402	186,728,975
Cash flows from investing activities			
Acquisition of property and equipment - net	(92,857)	(501,485)	(7,077,655)
Dividend (declared)/received	-	-	-
(Receipts)/Payments relating to other assets	-	-	-
Buyback of shares - net	(128,902,000)	(134,193,950)	(134,193,950)
	(128,994,857)	(134,695,435)	(141,271,605)
Cash flows from financing activities			
Increase/(Decrease) in reserves			
	-	-	-
Net increase in cash and short-term notes	56,349,408	(23,669,033)	45,457,370
Cash and short-term notes, Beginning	225,930,716	180,473,346	180,473,346
Cash and short-term notes, Ending	**282,280,124**	**156,804,313**	**225,930,716**

GRAND PLAZA HOTEL CORPORATION
Cash Flow Statements
For the 3rd quarters ended September 30, 2010 and 2009
(In Philippine Pesos)

	Unaudited 3rd quarter Sept. 30, 2010	Unaudited 3rd quarter Sept. 30, 2009
Cash flows from operating activities		
Net income	33,305,127	25,386,195
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	9,663,227	9,877,084
Equity in net income of associated company	(75,913)	101,131
Provision for bad debts	361,021	436,351
Changes in operating assets and liabilities		
(Increase) decrease in		
Accrued interest receivable	(16,007)	59,351
Accounts receivable - trade	4,748,452	301,325
Accounts receivable - others	(59,009)	1,352,238
Deferred income tax	5,531,096	12,566,067
Advances to associated company	9,403,019	(21,771,570)
Inventories	391,136	2,706,280
Prepaid expenses	(953,300)	1,072,034
Creditable withholding tax	85,453	(209,387)
Other current assets	(5,419,586)	(15,243,482)
Increase (decrease) in		
Accounts payable	80,385	1,443,430
Accrued liabilities	1,676,363	(639,860)
Rental payable	2,856,515	2,856,515
Due to associated company	(3,969,136)	6,835,765
Refundable deposit	799,577	(656,292)
Deferred rental - Pagcor	25,577,129	-
Income tax payable	(11,924,287)	(15,187,036)
Other current liabilities	(1,039,759)	12,571
Reserves	472,002	1,606,870
	71,493,504	12,846,971
Cash flows from investing activities		
Acquisition of property and equipment - net	(92,857)	(132,321)
Buyback of shares	(128,902,000)	(134,193,950)
	(128,994,857)	(134,326,271)
Cash flows from financing activities		
Increase/(Decrease) in reserves		
	-	-
Net increase in cash and short-term notes	(57,501,353)	(121,479,301)
Cash and short-term notes, Beginning	339,781,477	278,283,614
Cash and short-term notes, Ending	**282,280,124**	**156,804,313**

Grand Plaza Hotel Corporation
<u>Aging Report As At 30 September 2010</u>

Customer Type	0 to 8 days	9 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Over 120 days	Total	%
Airlines	1,249,739	866,430	1,660,561	51,864			3,828,594	14.14%
Credit card	1,495,148						1,495,148	5.52%
Embassy	409,589	66,000	134,999	731,514		72,000	1,414,102	5.22%
Pagcor	1,692,492	2,200,280	1,896,865	2,183,723	319,144		8,292,504	30.62%
Company - local	927,111	2,105,376	1,392,546	284,544	216,953	93,913	5,020,443	18.54%
Overpayment	(10,186)	(19,072)	(15,033)	(13,652)	(94,855)	(472,449)	(625,247)	-2.31%
Permanent accounts	11,662	6,818	9,900			20,030	48,410	0.18%
Travel Agent - Local	1,059,664	1,623,254	400,707				3,083,625	11.39%
Temporary credit	106,800	1,266,744	1,109,181				2,482,725	9.17%
Travel Agent - Foreign	889,060	605,837	527,555	15,743			2,038,195	7.53%
TOTAL	7,831,079	8,721,667	7,117,281	3,253,736	441,242	(286,506)	27,078,498	100.00%
%	28.92%	32.21%	26.28%	12.02%	1.63%	-1.06%	100.00%	