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	18-Feb-2016 19:02:00
Status	New
Announcement Sub Title	Announcement by Subsidiary Company, Grand Plaza Hotel Corporation
Announcement Reference	SG160218OTHR2SFU
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 18 February 2016 relating to Full Year Results for the Year Ended 31 December 2015.

Attachments	18022016_GPHC_2015 Full Year Results.pdf Total size =8362K

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SECURITIES AND EXCHANGE COMMISSION

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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	102182016002105
Document Type	17-A (FORM 11-A:AANU)
Document Code	17-A
Period Covered	December 31, 2015
No. of Days Late	0
Department	CFD
Remarks	WITH FS AND ACGR

COVER SHEET

1	6	6	8	7	8					

S.E.C. Registration Number

GRAND PLAZA HOTEL CORPORATION

(Company's Full Name)

10th FLOOR, the Heritage HOTEL MANILA, EDSA corner Roxas BLVD

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

Yam Kit Sung

Contact Person

854 88 38

Company Telephone Number

12 Month 31 Day

Fiscal Year

17A

FORM TYPE

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

Top be accomplished by SEC Personnel concerned

LCU

CASHIER

STAMPS

Remarks=pls. use black ink for scanning purposes

HILIPPINE EMBASSY)
ONSULAR SECTION) SS
ndon, United Kingdom)

I, the undersigned, Consul of the Republic of the Philippines in and for the United om of Great Britain and Northern Ireland, duly Commissioned and qualified, do confirm that I verily believe that **P. FORBES** of the Foreign and Commonwealth before whom the foregoing instrument has been authenticated is an officer duly a ed to legalize the document in the said Office and that the signature appearing th s genuine.

r the contents of the foregoing document, the undersigned assumes no res lity.

WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the of the Philippines, London, United Kingdom this **05 FEBRUARY 2016**.

VOLTAIRE O.C. MAURICIO
Consul

"Validity is fication shall follow the validity of the attached/underlying document."

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TO ALL TO WHOM THESE PRESENTS SHALL COME, I **MICHELLE SCOTT-BRYAN** of the City of London, England **NOTARY PUBLIC** by royal authority duly admitted, sworn and holding a faculty to practise throughout England and Wales, DO HEREBY CERTIFY the genuineness of the signature of **TSE SANG ALOYSIUS LEE** subscribed in two places to the document hereunto annexed, such signature being in each case in the own, true and proper handwriting of the said Tse Sang Aloysius Lee, whose identity I attest.

IN FAITH AND TESTIMONY WHEREOF I the said notary have subscribed my name and set and affixed my seal of office in London, England this fourth day of February in the year two thousand and sixteen.

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(Convention de La Haye du 5 octobre 1961)

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a été signé par
ha sido firmado por

3. Acting in the capacity of Notary Public
agissant en qualité de
quien actúa en calidad de

4. Bears the seal/stamp of The Said Notary Public
est revêtu du sceau / timbre de
y está revestido del sello / timbre de

Certified
Attesté / Certificado

5. at London
á / en

6. the 04 February 2016
le / el dia

7. by Her Majesty's Principal Secretary of State for Foreign and Commonwealth Affairs
par / por

8. Number K845431
sous no / bajo el número

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FOREIGN AND COMMONWEALTH OFFICE
LONDON

10. Signature: P. Forbes
Signature:
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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended 31 December 2015

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 19 January 2016 is PhP21 and the total voting stock held by non-affiliates of the Company is 7,334,288. Therefore, the aggregate market value of the voting stock held by non-affiliates of the Company is PhP154,020,048.

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 2015, the Company reported a net profit after tax of about PhP5.772 million as against PhP0.393 million in 2014 and PhP85 million in 2013.

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 Sofitel Philippine Plaza Manila, Hotel Jen Manila, Pan Pacific Manila, Diamond Hotel Philippines, New World Manila Bay Manila and Microtel Inn & Suites (Mall of Asia).

Based on information made available to us, our Heritage Hotel occupancy was 59.6% versus competitor's occupancy of 68%. Our Average Room Rate was PhP3,215 while competitor rate was PhP4,928. The resultant Revpar of our Hotel was PhP1,917 versus competitor of PhP3,349.

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 6^{th} 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 2015.

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 331 employees for the year ended 31 December 2015. Out of the 331 employees, 190 are regular employees and 141 are casual employees.

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

	REGULAR	CASUAL	TOTAL
Hotel Operating Staff (All operating dept)	128	102	230
Management/Admin/Security (A&G Dept)	29	29	58
Sales & Marketing	13	1	14
Repairs & Maintenance	20	9	29
Total	190	141	331

Barring any unforeseen circumstance, for the year 2016, 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) Grand Plaza Hotel Corporation – Dismissal and Termination of the Case entitled "*G.R. No. 204121 (Commissioner of Internal Revenue v. Grand Plaza Hotel Corporation)*" ("Tax Case")

On 9 June 2015, the Company received from its counsel (i.e., Zambrano & Gruba Law Offices) a Notice from the Clerk of Court of the First Division of the Supreme Court ("Notice") stating that on 11 February 2015, the First Division of the Supreme Court resolved to note the Company's Manifestation and grant the Company's Motion to Dismiss the Commissioner of Internal Revenue's ("CIR") Petition for Review on Certiorari ("Petition") of the Tax Case for failure of the CIR to comply with the resolutions issued by the Supreme Court, which required the CIR to submit a verified statement of material date and the duplicate original or certified true copies of the assailed Court of Tax Appeals decision and resolution. The Notice also stated that the Tax Case is considered closed and terminated.

On 24 June 2015, BIR filed a Motion for Reconsideration with the Supreme Court even though the Supreme Court has previously ruled that the case is considered close and terminated.

On 13 November 2015, the Company received a Notice from the Supreme Court to deny the Motion for Reconsideration of BIR and ruled with finality in favor of the Company.

As disclosed previously by the Company, the Tax Case arose from the Bureau of Internal Revenue's ("BIR") 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*. In line with the decision of the Supreme Court in *CIR v. Acesite (Philippines) Hotel Corporation, G.R. no. 147295, 16 February 2007* ("Acesite Case"), 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 CIR's Motion for Reconsideration of the CTA's decision rendered on 18 February 2011. The CIR 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 27 July 2012, the CTA En Banc resolved that, consistent with the pronouncement of the Supreme Court in the Acesite Case and the case of *PAGCOR vs. CIR (G.R. no. 172087, 15 March 2011)* that services rendered to PAGCOR are exempt from VAT, the CIR's petition has no leg to stand on and must necessarily fall. The BIR subsequently filed a Motion for Reconsideration.

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

On 6 May 2013, the Company filed its Comment/Opposition to the Petition. On 17 October 2013, the Company received a notice from the Supreme Court directing the CIR to file a reply (to the Company's Comment/Opposition) within 10 days from the CIR's receipt of the notice.

In a notice dated 8 October 2014, the Supreme Court declared the petitioner's (i.e., CIR) 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 the Manifestation and Motion to Dismiss the Petition for non-compliance with the jurisdictional requirements, which as stated in the Notice was noted and granted by the Supreme Court in its resolution dated 11 February 2015.

(2) Grand Plaza Hotel Corporation versus Commissioner of Internal Revenue ("BIR") – Court of Tax Appeal ("CTA") Case No. 8992

    This case is a Petition for Review with CTA to invalidate the tax deficiency assessment in relation to year 2008.

    On 20 February 2015, the Company filed a Petition for Review with the CTA to invalidate the collection proceedings of the BIR. The Petition is based on the Company's position, as advised by tax counsel, that the collection proceedings initiated by the Commissioner of Internal Revenue is void because the assessments did not comply with the requirements of law and lacked factual and legal basis.

The above action is to seek CTA remedy with regard to the Tax Assessment and review the Collection Letter that the Company received from the BIR on 12 December 2013. As far as the Company 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.

On 24 July 2015, the Company received a Warrant of Distraint and/or Levy dated 24 July 2015 from the BIR ("Warrant"). The Warrant relates to the tax case for year 2008. Considering that a Petition for Review has been earlier filed with the CTA on 20 February 2015 to question the validity of the collection proceedings initiated by the Commissioner of Internal Revenue and that the matter is currently being litigated at the CTA, the Company has taken appropriate legal measures to ensure that such Warrant is not implemented during the course of the trial proceedings.

During the CTA hearing on 21 September 2015, the Company presented 2 witnesses and they were able to furnish their testimonies on the same day. The BIR, on the other hand, did not present any witnesses and opted to submit the case for the resolution of the CTA.

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 2015 annual stockholders' meeting, the following were elected as directors of the Company:

Aloysius Lee Tse Sang;
Eddie Lau;
Bryan Cockrell;
Eddie Yeo;
Mia Gentugaya; (independent director)
Angelito Imperio; (independent director) and
Antonio Rufino

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

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

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

The following are the high and low share prices of the Company for the year 2015 and 2014:

Amount in Peso:

	HIGH	LOW	HIGH	LOW
	Year 2015	Year 2015	Year 2014	Year 2014
First Quarter	29.95	24	45	45
Second Quarter	45.9	17.02	70	38
Third Quarter	19.8	17.04	51.5	41
Fourth Quarter	21.5	16.9	35.5	25

The last recorded trade of the shares of the Company during the fiscal year covered by this report occurred on 29 December 2015. The share price was PhP17.8.

Holders of Securities

The Company has only one class of shares, i.e., common shares. The total outstanding common shares as of 31 December 2015 is 87,318,270 inclusive of 33,600,901 treasury shares.

As of 31 December 2015, the number of shareholders of the Company is 3,294.

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	38.48%
02	The Philippine Fund Limited	28,655,932	32.82%
03	Zatrio Pte Ltd	17,727,149	20.30%
04	PCD Nominee Filipino	6,104,363	6.99%
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	2,998	<0.01%
14	Peter Kan	2,443	<0.01%
15	Romeo L. Salonga	2,400	<0.01%
16	Christopher Lim	2,239	<0.01%
17	Janet Uy Te	2,016	<0.01%
18	Robert Uy	2,000	<0.01%
19	Carl Yzhar Sahagun Divinagracia	1,7,53	<0.01%
20	Janet Uy Te	1,435	<0.01%
	Total	86,406,400	98.95%

Dividends

No dividends were declared for FY2015 and FY2014.

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:

	2015	2014	2013
Current ratio (Solvency ratio)	**2.90**	1.59	1.88
Debt/Equity	**0.17**	0.41	0.35
Assets/Equity	**1.17**	1.41	1.36
Profit before tax margin ratio	**2.7%**	0.8%	21.24%
Earnings before interest, tax, depreciation & amortization (EBITDA) Peso	**27.56 million**	20.76 million	146.4 million

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 improved during the year of review mainly due lower current liabilities. Current liabilities decreased mainly due to the adjustment of the accruals for VAT in which the Company won the tax case at the Supreme Court.

Debt to equity ratio measures a company's financial leverage. It is derived by dividing total liabilities over equity. This ratio decreased by 0.24 as a result of lower liabilities and slightly higher equity. The reason for the lower liability is discussed earlier under current ratio.

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 decreased versus same period of last year mainly due to adjustment for Accounts Receivable VAT and also to lower fixed assets.

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 improved this year versus 2014 due to the fact that the Company is able to contain its expenses especially in energy cost. Without the rental income from the former casino, howver, the revenue is still under downward pressure.

EBITDA is a measure of the company profitability without interest, depreciation and, taxes. This ratio has improved from PhP20.76 million to PhP27.56 million due to better cost management even though revenue is down against prior year.

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
2015	447,351	5,772
2014	466,947	393
2013	582,653	85,576

2015 Results of Operations

For the year 2015, the Company reported revenue of PhP447.3 million versus PhP466.9 million in 2014. The drop in revenue by PhP19.4 million (4.1%) compared to prior year is mainly due to decrease in revenue in rooms, food and beverages ("F&B") and other operating departments.

Profit after tax recorded an improvement from PhP0.393 million in 2014 to PhP5.7 million in 2015 even though revenue has decreased and this is due to profit improvement plans implemented by the Company.

Revenue:
Room occupancy fell from 62% (2014) to 59% (2015) while Average Room Rate (ARR) also fell from PhP3,035 (2014) to PhP2,935 (2015). The net effect is a drop in Revpar from PhP1,881 to PhP1,732 or PhP149 (7.9%). The opening of more new hotels in Metro Manila has an adverse impact on The Heritage Hotel Manila in terms of occupancy and ARR. In order to compete for its share of market, the Hotel has to reduce ARR to capture business. In addition, the closure of the casino in the middle of 2013 also has an impact on the occupancy of the Hotel.

Food and Beverage (F&B) revenue registered a fall from PhP141 million to PhP137 million or PhP4 million (10%). The negative variance is mainly due to the closure of PAGCOR operated casino in the hotel in July 2013 and the increasing new restaurants around the hotel affect the business. The hotel is able to increase its revenue for Banquet by PhP2.0 million (4.8%) against prior year to offset the lower revenue from Riviera and Lobby Lounge.

Other operated departments consist mainly of telephone department, laundry and carparking. There is a drop of PhP1.7 million (26%) from last year revenue and the bulk of decrease is from telephone department. The lesser usage of hotel telephone services due to mobile phone is affecting this department revenue.

Others revenue consist mainly rental income and other miscellaneous income. This revenue increased by PhP10.1 million (138%) versus last year due to the reversal of reserves from service charge setup for operating equipment which is no longer required amounting to about PhP9 million.

Cost of sales:
Cost of sales for F&B registered a fall by PhP2.4 million (4.6%) as a result of lower F&B revenue. The decrease is consistent with the lower F&B revenue. Cost of sales for other operated departments have increased by PhP0.68 million (23.6%) despite the fall in revenue is because during the year, the Hotel provides more corporate guest with free wifi in order to attract more corporate businesses. As such, there are more fixed charges of wifi to cost of sales of telephone department.

Gross Profit:
Gross profit showed a drop by PhP17.8 million (4.3%) 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 PhP19.1 million (9%). Hotel is able to implement energy saving measures which helped to save 17% energy cost versus 2014 and the Hotel also implemented various profit improvement plans to reduce unnecessary costs. 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 PhP4.7 million (2.2%) compared to last year.

Other income/(expenses):
There is an increase from PhP22.0 million to PhP24.3 million or 10.4%. The bulk of the increase is from increase in interest income by PhP3.6 million as a result of interest earned from the security deposit with Meralco and foreign exchange gain of PhP9.3 million versus last year of PhP0.18 million. The foreign exchange gain is due to translation gain from the United States and Singapore dollars fixed deposits. In 2015, there is also a recognition of a forfeiture of security deposit amounting to about PhP4 million from a potential tenant which did not materialize.

Income Tax Expense:
Income tax expense increased by PhP3.0 million due to higher profit before tax.

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 contributed 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 loss of revenue from casino operation.

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.

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
2015	1,127,445	163,961
2014	1,354,310	399,328
2013	1,363,125	357,905

2015 Financial Conditions

Total assets for the year decreased from PhP1.354 billion to PhP1.127 billion while total liabilities decreased by PhP0.365 million to PhP0.163 million. The main reason for the decrease in assets and liabilities is due to reversal of accounts receivable and payables for VAT in respect of Pagcor. As the Company has won the tax case in Supreme Court whereby Supreme Court has ruled with finality, the Company reversed both accounts.

Assets:

- Cash and cash equivalents: This balance consists of cash and fixed deposits placed with banks. Cash increased marginally by PhP2.1 million versus end of last fiscal year. The lower cash generation is due to lower revenue.

- Receivables net: This balance fell from PhP304 million to PhP106 million which is as explained earlier due to reversal of accounts receivable VAT for Pagcor given the Company has won the case at Supreme Court.

- Inventories: Inventories fell by PhP1.6 million (11.8%) which is consistent with the lower F&B and total revenue.

- Prepaid expenses and other current assets: This balance consists of prepaid expenses such as insurance premium. This balance increased by PhP1.84 million (15%) mainly due to prepaid income tax amounting to PhP2.15 million.

- Property and equipment-net: This balance dropped by PhP33.3 million (5.3%) as a result of depreciation charges for the year net of addition to fixed assets.

- Deferred tax assets – net: There is a decrease in this balance by PhP3.4 million (27.7%) due to higher balance for impairment of receivables and unrealized foreign exchange gain of PhP2.7 million this year.

- Accounts payable and accrued expenses: The increase in this balance by PhP5.1 million (6.6%) is due to higher accrued salaries and other liabilities offset by lower accounts payable due to lower revenue.

- Refundable deposits – This pertains to deposits from tenants and the reduction in balance by PhP23.9 million (48%) is due to return of security deposit to a potential tenant that did not materialized during the year.

- Other current liabilities: There is a significant fall in this balance from PhP230.7 million to PhP17.8 million and the reason is due to the reversal of accounts payable VAT Pagcor.

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.

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
Aloysius Lee Tse Sang	Chairman & President	Hong Kong	No relation	67
Bryan Cockrell	Director	American	No relation	68
Eddie Lau	Director	British	No relation	60
Angelito Imperio	Independent Director	Filipino	No relation	76
Mia Gentugaya	Independent Director	Filipino	No relation	64
Antonio Rufino	Director	Filipino	No relation	69
Eddie Yeo Ban Heng	Director / Vice-President / Assistant Compliance Officer / General Manager of The Heritage Hotel Manila	Malaysian	No relation	68
Yam Kit Sung	General Manager of the Company / Chief Finance Officer / Compliance Officer / Chief Audit Executive	Singaporean	No relation	45
Ederlinda F. Decano	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	48
Divina Gracia D. Delos Reyes	Director of Human Resources/ Member The Heritage Hotel Manila Management	Filipino	No relation	38

	Executive Committee			
Maria Christina J. Macasaet-Acaban	Corporate Secretary	Filipino	No relation	42
Alain Charles J. Veloso	Assistant Corporate Secretary	Filipino	No relation	35
Arlene De Guzman	Treasurer	Filipino	No relation	55

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

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

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

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

ALOYSIUS LEE TSE SANG
CHAIRMAN & PRESIDENT

Mr. Aloysius Lee Tse Sang served as chairman and president of the board of Grand Plaza Hotel Corporation since his appointment on 15 May 2015. Mr. Lee was appointed to the Board as Group Chief Executive Officer of Millennium and Copthorne Hotels plc on 1 March 2015. He is a non-executive director of Millennium & Copthorne Hotels New Zealand and CDL Investments New Zealand Limited, both of which are listed on the New Zealand stock exchange, having been appointed on 1 April 2015, and he was appointed as a non-executive director of First Sponsor Group Limited, which is listed on the Singapore Exchange, on 2 April 2015 and continues to serve in that role.

Mr. Lee was previously the Chief Executive Officer of South Beach Consortium Pte Ltd., a joint venture established by City Developments Limited and other parties to create a mixed-use real estate development in Singapore. Prior to that, Mr Lee held senior leadership positions at Shui On Land, Hong Kong Telecom, Star Cruises and Singapore Airlines. He is a fellow of both the Chartered Management Institute and the Chartered Institute of Marketing, and earned a masters degree in business administration from the University of Hong Kong. He also holds management qualifications from Harvard University and the University of Hawaii.

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.

ANGELITO C. IMPERIO
INDEPENDENT DIRECTOR

Atty. Angelito 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. Mia 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, a charter member of the Maritime Law Association of the Philippines (Trustee, 1988 – 1989) 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 was 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; Director of the Malaysian Associations of the Philippines and a Director of the Hotel & Restaurant Association of the Philippines since 2007. Holds the position as Chief of Staff in the Philippine Coast Guard Auxiliary with the rank of Commander in Squadron 116.

EDDIE C.T. LAU

DIRECTOR

Mr. Eddie Lau, a British national, was first appointed Director of the Company on 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 Kit Sung 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 General Manager –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 and Grand Plaza Hotel Corporation.

MARIA CHRISTINA J. MACASAET-ACABAN
CORPORATE SECRETARY

Ms. Maria Christina 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,a member of the Order of the Purple Feather, the honors society of the University of the Philippines College of Law, and a member of the Pi Gamma Mu Honors Society and the Phi Kappa Phi Honors Society. 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. Alain Charles Veloso is a senior associate of the law firm Quisumbing Torres. Mr. Veloso's practices corporate and commercial law, with focus on antitrust, pharmaceuticals, securities, mergers and acquisitions, energy and natural resources, and infrastructure. 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 taught Transportation and Public Utilities Law and Land Titles and Registration at Centro Escolar University School of Law and Jurisprudence. Mr. Veloso also lectures at the Mandatory Continuing Legal Education program of the UP Law Center on antitrust and corporate governance.

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

Ms. 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.

EDERLINDA F. DECANO,
DIRECTOR OF FINANCE , MEMBER – HERITAGE HOTEL MANILA MANAGEMENT EXECUTIVE COMMITTEE

Ms. Ederlinda Decano graduated from University of Santo Tomas in 1994, with a degree in BS Accountancy and passed the CPA board exam in the same year. She began her career as an auditor in Diaz Murillo Dalupan, an affiliate of Deloitte Touche Tohmatsu in the early '90s. However, moved out of the auditing firm and worked in different industries as accountant.

She started a job in the hospitality industry in the year 2002, with the Ascott group, which line of business is Serviced Residence. She had worked with Ascott for 10 years, and worked her way up in the company - from accountant to Asst. Finance Manager. After 10 years with Ascott, she joined Manila Mandarin as Chief Accountant, and before the hotel closed, signed up with Frasers Place Manila (another Serviced Residence) as Finance Manager. All in all, she has been working in the hospitality industry for 13 years.

DIVINA GRACIA D. DELOS REYES
DIRECTOR OF HUMAN RESOURCES, MEMBER – HERITAGE HOTEL MANILA MANAGEMENT EXECUTIVE COMMITTEE

With 16 years of diversified experience in the field of Human Resources, Ms. Divina Gracia Delos Reyes is a seasoned human resources executive with particular expertise in policy development and implementation, employment law, employee relations including training and development and has extensive experience in complex companies.

A Psychology major graduate of De La Salle University – Dasmariñas in 1999, Ms. Delos Reyes started her career when she was hired by Smart Communications as an HR Assistant immediately after her on-the-job training. For career advancement she moved to the academe, retail and hotel industries. She has worked for 8 years in the hospitality industry.

Attendance Record

Meeting Attendance of the Company's Board of Directors in 2015:

Date of Board of Directors' meetings	Name of Directors						
	Aloysius Lee (first elected on 15 May 2015)	Bryan Cockrell	Angelito Imperio	Mia Gentugaya	Antomio Rufino (first elected on 15 May 2015)	Eddie Lau	Eddie Yeo
3 February 2015	N.A.	Present	Present	Present	N.A.	Present	Present
4 February 2015	N.A.	Present	Present	Present	N.A.	Absent	Present
27 February 2015 (Jointly with the Nomination Committee)	N.A.	Absent	Present	Present	N.A.	Present	Present
4 May 2015	N.A.	Present	Present	Present	N.A.	Present	Present
15 May 2015 (10:00 a.m.)	N.A.	Present	Present	Present	N.A.	Present	Present
15 May 2015 (1:00 p.m.)	Absent	Present	Present	Present	Present	Present	Present
20 July 2015	Present	Absent	Present	Present	Present	Present	Present
8 October 2015	Absent	Present	Absent	Present	Present	Present	Present
19 October 2015	Present	Absent	Present	Present	Present	Absent	Present
Total	2 out of	6 out of 9	8 out of 9	9 out of 9	4 out of 4	7 out of 9	9 out of 9

	4						
Percentage of Attendance	50%	66.67%	88.88%	100%	100%	77.77%	100%

Meeting Attendance of the Company's Audit Committee in 2015:

Date of the Audit Committee meetings	Name of Directors		
	Bryan Cockrell	Mia Gentugaya	Antonio Rufino (first elected on 15 May 2015)
3 February 2015	Present	Present	N.A.
4 May 2015	Present	Present	N.A.
20 July 2015	Absent	Present	Present
19 October 2015	Present	Present	Present
Total	3 out of 4	4 out of 4	2 out of 2
Percentage of Attendance	75%	100%	100%

Meeting Attendance of the Company's Nomination Committee in 2015:

Date of the Nomination's Committee meetings	Name of Directors				
	Aloysius Lee (first elected on 15 May 2015)	Eddie Lau	Bryan Cockrell	Antonio Rufino (first elected on 15 May 2015)	Angelito Imperio
27 February 2015 (Joint Meeting with Board of Directors)	N.A.	Present	Absent	N.A.	Present
20 March 2015	N.A.	Present	Present	N.A.	Present
Total	N.A.	2 out of 2	1 out of 2	N.A.	2 out of 2
Percentage of Attendance	N.A.	100%	50%	N.A.	100%

ITEM 10. EXECUTIVE COMPENSATION

EXECUTIVE AND DIRECTORS COMPENSATION

NAME	POSITION	YEAR	SALARY	BONUS	OTHERS/ DIRECTOR FEES
Eddie Yeo Ban Heng	General Manager of Hotel	2015			
Yam Kit Sung	General Manager of the Company	2015			
Ederlinda F. Decano	Director of Finance	2015			
Gigi Gaw	Director of Sales & Marketing	2015			
Divina Gracia D. Delos Reyes	Director of Human Resources	2015			
Total		2015	15,887,308	1,812,642	1,272,572
Directors		2015			1,175,264
All officers & Directors as a group		2015	15,887,308	1,812,642	2,447,836

The estimated total compensation for officers and directors in year 2016 is as follows:

Salary – PhP16 million
Bonus – PhP2 million
Other Fees – PhP2.5 million

FOR THE LAST 2 FINANCIAL YEARS – 2014 and 2013

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 &			12,327,371	756,719	1,399,965

Directors as a group		2014			

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

In 2015, the directors were given the following per diem allowance for their attendance in meetings in 2015: for the regular directors, PhP15,000 per meeting of the Audit Committee and the Board, and for independent directors, PhP15,000 per meeting of the Audit Committee and PhP15,720 per meeting of the Board. The allowance and compensation of the directors (i.e., in 2014) 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 2015.

TITLE OF CLASS	NAME OF BENEFICIAL OWNER / (CITIZENSHIP)	AMOUNT & NATURE OF BENEFICIAL	PERCENT OF CLASS

		OWNERSHIP	
Common shares	Yam Kit Sung (Singaporean)	2,998 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 2015

S/N	NAME OF SHAREHOLDER	CITIZENSHIP	NO. OF SHARES	% OF SHAREHOLDING (EXCLUSIVE OF TREASURY SHARES)
1	The Philippine Fund Limited	Bermuda	28,655,932[1]	53.34%
2	Zatrio Pte. Ltd.	Singapore	17,727,149	33.08%
3	RCBC Trust & Investment	Filipino	5,367,491	9.99%

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

ITEM 13. CORPORATE GOVERNANCE

Please refer to the attached Annual Corporate Governance Report of the Company for the year 2015.

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

Exhibits

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[1] The Philippine Fund Limited is owned by:

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

None

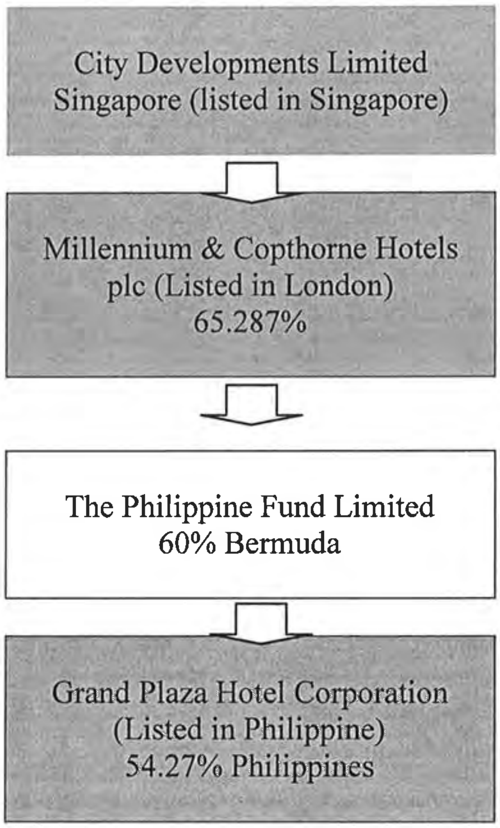
Reports on SEC Form 17-C

The following events were reported in SEC Form 17-C during the period January 2015 to December 2015:

Date of Filing of SEC Form 17-C	**Summary of the matter disclosed**
29 January 2015	Demise of Ms. Catherine Serrano
6 February 2015	Update on the BIR's tax assessment on the Compant for the year 2008
24 February 2015	Filing of a Petition for Review with the Court of Tax Appeals
3 March 2015	Approval of Record Date for the 2015 Annual Stockholders' Meeting
18 May 2015	Election of Directors and Re-appointment of External Auditor
18 May 2015	Election of Officers and Committee Members
15 June 2015	Dismissal and Termination of the Case entitled "G.R. No. 204121 (Commissioner of Internal Revenue v. Grand Plaza Hotel Corporation)

The Group Structure

The Philippine Fund Limited Group Structure



As at 31 December 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 ______________________ on __________, 20__.

By:

Aloysius Lee
Chairman & President

Yam Kit Sung
General Manager/
Chief Financial Officer

Maria Christina Macasaet-Acaban
Corporate Secretary

SUBSCRIBED AND SWORN to before me this _____ day of _________ 2016__ affiant(s) exhibiting to me their Community Tax Certificates/Passports, as follows:

Names	CTC/Passport No.	Date of Issue	Place of Issue
Aloysius Lee	KJ0387859	23 Sept 2014	Hong Kong

Notary Public

Doc. No.
Page No.
Book No.
Series of 2016.

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 Pasay City on 04 FEB 2016, 20__.

By:

Aloysius Lee
Chairman & President

Yam Kit Sung
General Manager/
Chief Financial Officer

Maria Christina Macasaet-Acaban
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 04 FEB 2016 day of ________ 2016__ affiant(s) exhibiting to me their Community Tax Certificates/Passports, as follows:

Names	CTC/Passport No.	Date of Issue	Place of Issue
Aloysius Lee	KJ0387859	23 Sept 2014	Hong Kong
Yam Kit Sung	E3384874K	07 Sept 2012	Singapore
Maria Christina Acabar	EB7554126	5 March 2013	Philippines

ATTY. JOVINO R. ANGEL
NOTARY PUBLIC
UNTIL DECEMBER 31, 2016
Notary Public
PTR NO. PC 4734707 1-4-16 PASAY CITY
IBP NO. 101277 1-4-16 PASAY CITY
ROLL NO. 28761
MCLE COMPLIANCE NO. IV-0025043

Doc. No. 96
Page No. 10
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Series of 2016

GRAND PLAZA HOTEL CORPORATION

12 February 2016

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, 2015, 2014 and 2013. 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.

Aloysius Lee
Chairman and President

Yam Kit Sung
General Manager & Chief Financial Officer

Subscribed and sworn to before me a notary public for and in the City of __________ this ______ day of ____________ 2016, 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
Aloysius Lee	KJ0387859	23 Sept 2014	Hong Kong
Yam Kit Sung			

Notary Public

Doc. No.
Page No.
Book No.
Series of 2016

Aloysius Lee
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 FEB 2016, 2016, 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
Aloysius Lee	KJ0387859	23 September 2014	Hong Kong
Yam Kit Sung	E3384874K	07 September 2012	Singapore

ATTY. JOVINO R. ANGEL
NOTARY PUBLIC
UNTIL DECEMBER 31, 2016
PTR NO. Notary Public 4-16 PASAY CITY
IBP NO. 1 , 277 1-4-16 PASAY CITY.
ROLL NO. 28761
MCLE COMPLIANCE NO. IV-0025043

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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 04 day of FEB 2016, 2016, 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			

ATTY. JOVINO R. ANGEL
NOTARY PUBLIC
UNTIL DECEMBER 31, 2016
PTR NO. PC-4734-507 1-4-16 PASAY CITY
IBP NO. [illegible] 277 1-4-16 PASAY CITY
ROLL NO. 28761
MCLE COMPLIANCE NO. IV-0025043
Notary Public

Doc. No. 48
Page No. 10
Book No. 1
Series of 2016.

IPPINE EMBASSY)
ULAR SECTION) SS
n, United Kingdom)

he undersigned, Consul of the Republic of the Philippines in and for the United Ki of Great Britain and Northern Ireland, duly Commissioned and qualified, do he firm that I verily believe that **P. FORBES** of the Foreign and Commonwealth Off re whom the foregoing instrument has been authenticated is an officer duly auth o legalize the document in the said Office and that the signature appearing ther uine.

o e contents of the foregoing document, the undersigned assumes no respo i

NESS WHEREOF, I have hereunto set my hand and affixed the seal of the En sy the Philippines, London, United Kingdom this **05 FEBRUARY 2016.**

VOLTAIRE O.C. MAURICIO
Consul

"Validity of Cer tion shall follow the validity of the attached/underlying document."

Document N	927
Service No.	2957
Official Rec No.	0130
Fee	**£18.00**

TO ALL TO WHOM THESE PRESENTS SHALL COME, I **MICHELLE SCOTT-BRYAN** of the City of London, England **NOTARY PUBLIC** by royal authority duly admitted, sworn and holding a faculty to practise throughout England and Wales, DO HEREBY CERTIFY the genuineness of the signature of **TSE SANG ALOYSIUS LEE** subscribed in two places to the document hereunto annexed, such signature being in each case in the own, true and proper handwriting of the said Tse Sang Aloysius Lee, whose identity I attest.

IN FAITH AND TESTIMONY WHEREOF I the said notary have subscribed my name and set and affixed my seal of office in London, England this fourth day of February in the year two thousand and sixteen.

Bankside House 107 Leadenhall Street London EC3A 4AF
Tel 020 7623 9477 Fax 020 7623 5428
E-mail notary@cheeswrights.co.uk
DX 627 / London City EC3 www.cheeswrights.co.uk

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, 2015 and 2014**, 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 review and approve 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: ____________________
Tse Sang Aloysius Lee – Chairman of the Board

Signature: ____________________
Tse Sang Aloysius Lee - Chief Executive Officer

Signature: ____________________
Yam Kit Sung - Chief Financial Officer

Signed this ____ day of _________

10Th Floor, The Heritage Hotel Manila, Roxas Blvd. cor. EDSA Ext., Pasay City
Telephone No. 8548838 * Facsimile No. 8548825
A MEMBER OF THE HONG LEONG GROUP SINGAPORE

GRAND PLAZA HOTEL CORPORATION

FINANCIAL STATEMENTS
December 31, 2015, 2014 and 2013

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

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Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
E-Mail ph-inquiry@kpmg.com

Branches: Subic · Cebu · Bacolod · Iloilo

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, 2015, on which we have rendered our report thereon dated February 12, 2016.

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.

ALICIA S. COLUMBRES
Partner
CPA License No. 069679
SEC Accreditation No. PA-A-729-A, Group A, valid until May 19, 2016
Tax Identification No. 120-964-156
BIR Accreditation No. 08-001987-27-2014
Issued September 26, 2014; valid until September 25, 2017
PTR No. 5320743MD
Issued January 4, 2016 at Makati City

February 12, 2016
Makati City, Metro Manila

KPMG

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

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

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, 2015 and 2014, 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, 2015, 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
BSP Accredited, Category A, valid until December 17, 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, 2015 and 2014, and its financial performance and its cash flows for each of the years in the three-year period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 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.

ALICIA S. COLUMBRES
Partner
CPA License No. 069679
SEC Accreditation No. PA-A-729-A, Group A, valid until May 19, 2016
Tax Identification No. 120-964-156
BIR Accreditation No. 08-001987-27-2014
 Issued September 26, 2014; valid until September 25, 2017
PTR No. 5320743MD
 Issued January 4, 2016 at Makati City

February 12, 2016
Makati City, Metro Manila

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2015**	2014
ASSETS			
Current Assets			
Cash and cash equivalents	*4, 26*	**P239,183,149**	P237,078,063
Receivables - net	*5, 14, 26*	**106,060,371**	304,110,706
Loan receivable	*9, 14, 26*	**15,500,000**	15,500,000
Due from related parties	*14, 26*	**50**	350
Inventories	*6*	**12,340,792**	13,993,229
Prepaid expenses and other current assets	*7*	**14,074,733**	12,230,638
Total Current Assets		**387,159,095**	582,912,986
Noncurrent Assets			
Property and equipment - net	*10*	**590,922,343**	624,662,660
Investment in an associate	*8, 14*	**52,613,701**	50,241,237
Deferred tax assets - net	*22*	**8,958,812**	12,398,139
Other noncurrent assets	*11, 14, 20, 26*	**87,791,609**	84,095,791
Total Noncurrent Assets		**740,286,465**	771,397,827
		P1,127,445,560	P1,354,310,813
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*12, 26*	**P83,099,316**	P77,919,262
Refundable deposits - current portion	*19, 20, 25*	**25,349,438**	49,346,738
Due to related parties	*14, 20, 26*	**6,798,190**	6,090,243
Income tax payable		**-**	1,802,477
Other current liabilities	*13, 26*	**17,827,940**	230,761,713
Total Current Liabilities		**133,074,884**	365,920,433
Noncurrent Liabilities			
Refundable deposits - net of current portion	*19, 20, 25*	**5,396,673**	6,773,081
Accrued retirement benefits liability	*21*	**25,489,767**	26,634,668
Total Noncurrent Liabilities		**30,886,440**	33,407,749
Total Liabilities		**163,961,324**	399,328,182
Equity			
Capital stock	*24*	**873,182,700**	873,182,700
Additional paid-in capital		**14,657,517**	14,657,517
Remeasurement gains on defined benefit plan	*21*	**7,425,564**	4,696,038
Retained earnings:			
Appropriated	*23*	**1,680,020,370**	1,680,020,370
Unappropriated		**68,218,455**	62,446,376
Treasury stock	*24*	**(1,680,020,370)**	(1,680,020,370)
Total Equity		**963,484,236**	954,982,631
		P1,127,445,560	P1,354,310,813

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF PROFIT OR LOSS

		Years Ended December 31		
	Note	**2015**	2014	2013
REVENUES				
Rooms		**P287,584,011**	P312,084,720	P336,688,055
Food and beverage		**137,481,964**	141,017,832	158,290,397
Other operating departments		**4,767,442**	6,491,294	6,665,324
Others	*20*	**17,518,267**	7,353,953	81,009,951
		447,351,684	466,947,799	582,653,727
COST OF SALES AND SERVICES	*15*			
Food and beverage		**50,925,932**	53,388,923	56,283,435
Other operating departments		**3,581,260**	2,897,083	3,466,534
		54,507,192	56,286,006	59,749,969
		392,844,492	410,661,793	522,903,758
SELLING EXPENSES	*16*	**192,493,454**	211,628,674	214,534,010
ADMINISTRATIVE EXPENSES	*17*	**212,349,400**	217,135,639	199,528,308
		404,842,854	428,764,313	414,062,318
NET OPERATING INCOME (LOSS)		**(11,998,362)**	(18,102,520)	108,841,440
OTHER INCOME (EXPENSES)				
Foreign exchange gain		**9,379,100**	180,991	7,126,239
Interest income	*4, 9, 11, 14, 20*	**8,946,563**	5,344,592	7,125,401
Income from refundable deposits	*19*	**3,986,875**	-	-
Equity in net income of an associat	*8*	**2,372,464**	1,774,099	611,039
Loss on disposal of property and equipment	*10*	**(1,166,747)**	-	-
Reversal of accruals	*12*	**-**	14,767,900	-
Others		**880,460**	-	76,700
		24,398,715	22,067,582	14,939,379
INCOME BEFORE INCOME TAX		**12,400,353**	3,965,062	123,780,819
INCOME TAX EXPENSE	*22*	**6,628,274**	3,571,164	38,204,143
NET INCOME		**P5,772,079**	P393,898	P85,576,676
Basic and Diluted Earnings Per Share	*18*	**P0.11**	P0.01	P1.53

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31 **2015**	2014	2013
NET INCOME		**P5,772,079**	P393,898	P85,576,676
OTHER COMPREHENSIVE INCOME (LOSS)	*21*			
Item that will never be reclassified to profit or loss				
Remeasurement of net defined benefit plan		**3,899,323**	(1,984,581)	(1,469,984)
Income tax relating to an item that will not be reclassified subsequently		**(1,169,797)**	595,374	440,995
		2,729,526	(1,389,207)	(1,028,989)
TOTAL COMPREHENSIVE INCOME (LOSS)		**P8,501,605**	(P995,309)	P84,547,687

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF CHANGES IN EQUITY

								Years Ended December 31
	Note	Capital Stock (Note 24)	Additional Paid-in Capital	Remeasurement Gains on Defined Benefit Plan	Retained Earnings		Treasury Stock (Note 24)	Total Equity
					Appropriated	Unappropriated		
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 year		-	-	-	-	85,576,676	-	85,576,676
Other comprehensive loss 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)
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

Years Ended December 31

	Note	Capital Stock (Note 24)	Additional Paid-in Capital	Remeasurement Gains on Defined Benefit Plan	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 year		-	-	-	-	393,898	-	393,898
Other comprehensive loss for the year	*21*	-	-	(1,389,207)	-	-	-	(1,389,207)
Total comprehensive loss 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)
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

Years Ended December 31

	Note	Capital Stock (Note 24)	Additional Paid-in Capital	Remeasurement Gains on Defined Benefit Plan	Retained Earnings Appropriated	Retained Earnings Unappropriated	Treasury Stock (Note 24)	Total Equity
Balance at January 1, 2015		**P873,182,700**	**P14,657,517**	**P4,696,038**	**P1,680,020,370**	**P62,446,376**	**(P1,680,020,370)**	**P954,982,631**
Net income for the year		**-**	**-**	**-**	**-**	**5,772,079**	**-**	**5,772,079**
Other comprehensive income for the year	*21*	**-**	**-**	**2,729,526**	**-**	**-**	**-**	**2,729,526**
Total comprehensive income for the year		**-**	**-**	**2,729,526**	**-**	**5,772,079**	**-**	**8,501,605**
Balance at December 31, 2015		**P873,182,700**	**P14,657,517**	**P7,425,564**	**P1,680,020,370**	**P68,218,455**	**(P1,680,020,370)**	**P963,484,236**

See Notes to the Financial Statements.

GRAND PLAZA HOTEL CORPORATION
STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2015**	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P12,400,353**	P3,965,062	P123,780,819
Adjustments for:				
Depreciation and amortization	*10, 17*	**39,558,871**	38,864,197	36,293,759
Write-off of receivables	*5,17*	**12,617,105**	-	-
Retirement benefits cost	*21*	**3,154,728**	2,952,313	2,824,844
Loss on disposal of property and equipment	*10*	**1,166,747**	-	-
Provision for impairment losses on receivables	*17, 26*	**94,343**	13,156,558	27,260
Unrealized foreign exchange loss (gain)		**(9,033,582)**	1,380,284	(3,497,543)
Interest income	*4, 9, 14, 20*	**(8,946,563)**	(5,344,592)	(7,125,401)
Equity in net income of an associate	*8*	**(2,372,464)**	(1,774,099)	(611,039)
Operating income before working capital changes		**48,639,538**	53,199,723	151,692,699
Decrease (increase) in:				
Receivables		**(18,400,281)**	(1,779,537)	(13,464,592)
Inventories		**1,652,437**	(410,782)	978,254
Due from related parties		**300**	1,884,750	242,922
Prepaid expenses and other current assets		**306,550**	6,252,296	(2,686,903)
Other noncurrent assets		**(3,695,818)**	-	-
Increase (decrease) in:				
Accounts payable and accrued expenses		**5,180,054**	351,573	(4,211,202)
Due to related parties		**707,947**	3,974,822	(4,728,066)
Refundable deposits		**(25,373,708)**	26,999,029	(2,111,085)
Other current liabilities		**(9,131,411)**	3,575,163	3,091,261
Cash generated from (absorbed by) operations		**(114,392)**	94,047,037	128,803,288
Interest received		**8,883,369**	11,866,287	2,595,709
Income taxes paid		**(8,311,866)**	(7,999,596)	(50,262,007)
Retirement benefits paid	*21*	**(400,306)**	(217,003)	(5,808,525)
Net cash provided by operating activities		**56,805**	97,696,725	75,328,465

Forward

	Note	**Years Ended December 31** **2015**	2014	2013
CASH FLOWS FROM INVESTING ACTIVITY				
Additions to property and equipment	*10*	**(P6,985,301)**	(P15,886,533)	(P13,096,096)
CASH FLOWS FROM FINANCING ACTIVITY				
Acquisition of treasury stock	*24*	**-**	(49,242,500)	(142,466,650)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**9,033,582**	(1,380,284)	3,497,543
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**2,105,086**	31,187,408	(76,736,738)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*4*	**237,078,063**	205,890,655	282,627,393
CASH AND CASH EQUIVALENTS AT END OF YEAR	*4*	**P239,183,149**	P237,078,063	P205,890,655

See Notes to the Financial Statements.

1. Reporting Entity

Grand Plaza Hotel Corporation (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 9, 1989 primarily to own, lease or manage one or more hotels, inns or resorts, all adjuncts and accessories thereto, and all other tourist-oriented businesses as may be necessary in connection therewith. The Company is 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 the 10th Floor, The Heritage Hotel Manila, EDSA corner Roxas Boulevard, Pasay City.

2. Basis of Preparation

<u>Statement of Compliance</u>
The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

The financial statements as at and for the year ended December 31, 2015 were approved and authorized for issue by the Board of Directors (BOD) on February 12, 2016.

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

<u>Functional and Presentation Currency</u>
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, 2015 and 2014, allowance for impairment losses on trade receivables amounted to P13,406,522 and P13,312,179, respectively (see Note 5). As at December s31, 2015 and 2014, the carrying amount of receivables amounted to P106,060,371 and P304,110,706 (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 P12,340,792 and P13,993,229 as at December 31, 2015 and 2014, 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, 2015 and 2014, the carrying amount of property and equipment amounted to P590,922,343 and P624,662,660, 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, 2015 and 2014, the Company's deferred tax assets amounted to P14,851,272 and P14,410,727, 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 P25,489,767 and P26,634,668 as at December 31, 2015 and 2014, respectively. In 2015 and 2014, the retirement benefits cost recognized in profit and loss amounted to P3,154,728 and P2,952,313, respectively. Cumulative actuarial gain amounted to P10,607,949 and P6,708,626 as at December 31, 2015 and 2014, 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, 2015 and 2014.

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, 2015 and 2014.

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.

<u>Adoption of New or Revised Standards, Amendments to Standards and Interpretations</u>
The Company has adopted the following amendments to standards starting January 1, 2015 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Company's financial statements.

- *Annual Improvements to PFRSs: 2010 - 2012 and 2011 - 2013 Cycles* - Amendments were made to a total of nine standards, with changes made to the standards on business combinations and fair value measurement in both cycles. Most amendments will apply prospectively for annual periods beginning on or after July 1, 2014. Earlier application is permitted, in which case the related consequential amendments to other PFRSs would also apply. Special transitional requirements have been set for amendments to the following standards: PFRS 2, PAS 16, PAS 38 and PAS 40. The following is one of the said improvements or amendments to PFRSs, none of which has a significant effect on the financial statements of the Company:

    - *Definition of 'related party' (Amendment to PAS 24).* The definition of a 'related party' is extended to include a management entity that provides key management personnel (KMP) services to the reporting entity, either directly or through a group entity. For related party transactions that arise when KMP services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the KMP services. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of PAS 24 - e.g. loans.

<u>Standards Issued but Not Yet Adopted</u>
A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2015. However, the Company has not applied the following new or amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's financial statements.

Effective 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.

The amendments are effective for annual periods beginning on or after January 1, 2016, and are to be applied prospectively. Early application is permitted.

- *Disclosure Initiative (Amendments to PAS 1)* addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:

    - Information should not be obscured by aggregating or by providing immaterial information.

    - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.

    - The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

    - An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

  The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

Effective January 1, 2018

- PFRS 9, *Financial Instruments (2014)*. PFRS 9 (2014) replaces PAS 39 Financial Instruments: Recognition and Measurement and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

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 and withholding taxes payable.

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 fair value through profit or loss (FVPL), includes transaction cost.

Subsequent to initial recognition, the Company classifies its financial assets in the following categories: held-to-maturity (HTM) investments, available-for-sale (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.

<u>Offsetting Financial Assets and Liabilities</u>
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.

<u>Derecognition of Financial Instruments</u>
Financial Assets. A financial asset (or, where applicable, a part of a financial asset or a 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.

Capital Stock

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 retranslated 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	**2015**	2014
Cash on hand and in banks		**P45,741,556**	P69,719,296
Short-term investments		**193,441,593**	167,358,767
	26	**P239,183,149**	P237,078,063

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 2015, 2014 and 2013. Interest income earned amounted to P575,745, P669,592 and P2,450,401 for the years ended December 31, 2015, 2014 and 2013, respectively.

5. Receivables

This account consists of:

	Note	**2015**	2014
Trade:			
Charge customers	*26*	**P47,157,969**	P36,448,610
Receivables from Philippine Amusement and Gaming Corporation (PAGCOR)		**16,162,682**	232,582,149
Others		**5,588,310**	9,788,887
		68,908,961	278,819,646
Utility charges		**17,482,878**	17,405,243
Deposit to suppliers		**16,801,170**	4,430,028
Interest	*14*	**11,075,692**	11,012,498
Others	*14*	**5,198,192**	5,755,470
		119,466,893	317,422,885
Less allowance for impairment losses on trade receivables	*26*	**13,406,522**	13,312,179
	26	**P106,060,371**	P304,110,706

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) outstanding as at December 31, 2014. The corresponding output VAT payable from the billings to PAGCOR is likewise not remitted to the BIR due to the pending case, prior to the final decision of the Supreme Court (SC) ordered in 2015, as discussed below (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 VAT 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 P228.94 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 SC in Philippine Amusement and Gaming Corporation (PAGCOR) vs. The BIR, 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 P228.94 million for taxable years 1996 to 2002. In its resolution dated May 17, 2011, the CTA denied the Commissioner of the BIR'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 was 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 the BIR to file a reply within 10 days from receipt of Notice.

On October 8, 2014, the SC declared the 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 five 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.

On June 9, 2015, the Company received a Notice from the Court of the First Division of the SC stating that on February 11, 2015, the First Division of the SC resolved to note the Company's Manifestation and grant the Company's Motion to Dismiss the Commissioner of Internal Revenue's ("CIR") Petition for Review on Certiorari ("Petition") of the Tax Case for failure of the CIR to comply with the resolutions issued by the SC, which required the CIR to submit a verified statement of material date and the duplicate original or certified true copies of the assailed CTA decision and resolution. The Notice also stated that the Tax Case is considered closed and terminated.

On June 24, 2015, the BIR filed a Motion for Reconsideration with the SC even though the SC has previously ruled that the case is considered closed and terminated.

On November 13, 2015, the Company received a Notice from the SC denying the Motion for Reconsideration of the BIR and ruled it with finality in favor of the Company.

With the termination of the case, the Company reversed the VAT receivable from PAGCOR amounting to P216,419,467 and the related Output VAT payable amounting to P203,802,362. The difference of P12,617,105 between the amounts reversed was recognized as part of "Administrative Expenses" (see Note 17).

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	**2015**	2014
Food		**P4,798,446**	P4,801,467
General supplies		**3,766,389**	5,057,137
Engineering supplies		**2,421,115**	2,673,754
Beverage and tobacco		**1,031,622**	960,322
Others		**323,220**	500,549
	15	**P12,340,792**	P13,993,229

There was no write down of inventories to NRV in 2015 and 2014.
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7. Prepaid Expenses and Other Current Assets

This account consists of:

	2015	2014
Input value-added tax	**P5,579,291**	P6,726,359
Prepaid expenses	**5,512,517**	4,703,774
Prepaid income tax	**2,150,645**	-
Others	**832,280**	800,505
	P14,074,733	P12,230,638

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

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:

	2015	2014
Acquisition cost	**P48,200,000**	P48,200,000
Accumulated share in net earnings:		
Balance at beginning of year	**2,041,237**	267,138
Equity in net income of associate during the year	**2,372,464**	1,774,099
Balance at end of year	**4,413,701**	2,041,237
	P52,613,701	P50,241,237

A summary of the financial information of HLC follows:

	2015	2014
Current assets	**P33,537,899**	P29,132,252
Noncurrent asset	**121,900,300**	121,830,382
Current liabilities	**(583,813)**	(1,377,625)
Noncurrent liability	**(78,000,000)**	(78,011,590)
Net liabilities (100%)	**(P76,854,386)**	(P71,573,419)
Company's share of net liabilities (40%)	**P30,741,754**	P28,629,368
Revenue	**P17,797,608**	P17,797,608
Net income (loss)/total comprehensive income (loss) (100%)	**P5,931,160**	P4,435,249
Company's share in net income (loss)/total comprehensive income (loss) (40%)	**P2,372,464**	P1,774,099

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, 2015 and 2014 and is collectible on demand with interest rate of 5% per annum (see Note 14).

Interest income earned in 2015, 2014 and 2013 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, 2014	P996,622,622	P373,090,252	P4,158,198	P385,157	P1,374,256,229
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
Additions	6,017,627	967,674	-	-	6,985,301
Disposals	(1,669,735)	(7,911,963)	-	-	(9,581,698)
Reclassification	562,500	(562,500)	-	-	-
Balance, December 31, 2015	**1,013,684,994**	**369,318,016**	**4,158,198**	**385,157**	**1,387,546,365**
Accumulated Depreciation and Amortization					
Balance, January 1, 2014	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
Depreciation and amortization during the year	25,906,986	13,651,885	-	-	39,558,871
Disposals	(502,988)	(7,911,963)	-	-	(8,414,951)
Reclassification	27,188	(27,188)	-	-	-
Balance, December 31, 2015	**459,930,179**	**332,150,488**	**4,158,198**	**385,157**	**796,624,022**
Carrying Amount					
December 31, 2014	P574,275,609	P50,387,051	P -	P -	P624,662,660
December 31, 2015	**P553,754,815**	**P37,167,528**	**P -**	**P -**	**P590,922,343**

In 2015, the Company disposed bulding equipment resulting to loss on disposal amounting to P1,166,747.

No impairment loss was recognized for the Company's property and equipment in 2015, 2014 and 2013.

11. Other Noncurrent Assets

This account consists of:

	Note	**2015**	2014
Lease deposit	*14, 20, 26*	**P78,000,000**	P78,000,000
Miscellaneous investments and deposits		**8,781,609**	5,085,791
Others		**1,010,000**	1,010,000
		P87,791,609	P84,095,791

Miscellaneous investments and deposits consist of utility and rent deposit.

12. Accounts Payable and Accrued Expenses

This account consists of:

	Note	**2015**	2014
Trade		**P37,016,672**	P42,252,080
Accrued payroll		**23,904,260**	19,420,513
Accrued other liabilities		**16,556,306**	10,897,798
Accrued utilities		**4,916,912**	4,533,109
Others		**705,166**	815,762
	26	**P83,099,316**	P77,919,262

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

In 2014, the Company reversed its accrual of payable to CDL Hotel (Phils.) Corporation (CDL), a related party, until March 2011 due to the latter's liquidation amounting 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	**2015**	2014
Deposits for utilities		**P4,789,028**	P4,983,868
Payable to government agencies		**4,618,637**	5,820,142
Payable to employees	*26*	**3,616,015**	9,949,840
Output VAT payable	5	**3,331,455**	206,953,990
Rewards redemption payable		**1,018,117**	1,181,381
Others	*26*	**454,688**	1,872,492
		P17,827,940	P230,761,713

Output VAT payable includes output tax charged to PAGCOR amounting to P203,802,362 as at December 31, 2014 which was closed against the related VAT receivable in 2015 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	**2015**	*20*	**P -**	**P78,000,000**	**P -**	**Required lease deposit on the leased land**	**Collectible upon termination of the contract**
	2014		-	78,000,000	-	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
▪ Interest income	**2015**	*14b, 20*	**3,900,000**	**-**	**-**		
	2014		3,900,000	-	-		
	2013		3,900,000	6,125,290	-	5% per annum of the lease deposit	Unsecured
▪ Advances	**2015**	*14a*	**2,221**	**-**	**-**		
	2014		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	**2015**	*17, 20*	**17,797,608**	**-**	**-**		
	2014		17,797,608	-	-		
	2013		10,678,560	-	-		
▪ Rent income	**2015**	*14e, 20*	**180,000**	**-**	**-**		
	2014		90,000	96,300	-	Due and demandable; non interest bearing	Unsecured

Forward

Category/ Transaction	Year	*Note*	Amount of the Transaction	Outstanding Balance: Due from Related Parties	Outstanding Balance: Due to Related Parties	Terms	Conditions
Under Common Control							
▪ Management and incentive fees	**2015**	*14d, 17*	**P20,762,185**	**P -**	**P6,236,662**	**Due and demandable; non interest bearing**	**Unsecured**
	2014		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
▪ Advances	**2015**	*14a*	**8,420,793**	**50**	**561,528**	**Due and demandable; non interest bearing**	**Unsecured; no impairment**
	2014		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
▪ Loan	**2015**	*9, 14c*	**-**	**15,500,000**	**-**	**Due and demandable; interest bearing**	**Unsecured; no impairment**
	2014		-	15,500,000	-	Due and demandable; interest bearing	Unsecured; no impairment
	2013		-	15,500,000	-	Due and demandable; interest bearing	Unsecured; no impairment
▪ Interest income	**2015**	*14c*	**775,000**	**11,000,000**	**-**	**5% per annum of the loan receivable**	**Unsecured**
	2014		775,000	11,000,000	-	5% per annum of the loan receivable	Unsecured
	2013		775,000	11,386,249	-	5% per annum of the loan receivable	Unsecured
▪ Rent income	**2015**	*14e*	**420,000**	**-**	**-**		
	2014		200,000	160,500	-	Due and demandable; non interest bearing	Unsecured
Key Management Personnel of the Entity							
▪ Short term employee benefits	**2015**	*14f*	**17,699,951**	**-**	**-**		
	2014		19,301,720	-	-		
	2013		19,293,747	-	-		
TOTAL	**2015**			**P104,500,050**	**P6,798,190**		
TOTAL	2014			P104,757,150	P6,090,243		
TOTAL	2013			P112,896,639	P2,115,421		

Due from related parties is included in the following accounts:

	Note	**2015**	2014
Receivables - net	*5*	**P11,000,000**	P11,256,800
Loan receivable	*9*	**15,500,000**	15,500,000
Due from related parties		**50**	350
Other noncurrent assets	*11, 20*	**78,000,000**	78,000,0000
		P104,500,050	P104,757,150

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 receivable/payable on demand.

b. The interest receivable from HLC, an 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 annually for the three-year period ended December 31, 2015.

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 annually for the three-year period ended December 31, 2015.

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%), respectively, starting April 2011.

e. The rent income from HLC, RRC and Elite 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. <u>Transactions with Key Management Personnel</u>
The total remuneration of key management personnel in the form of short-term employee benefits is shown below:

	2015	2014	2013
Directors of hotel operations	**P2,291,685**	P2,732,760	P3,671,418
Executive officers	**15,408,266**	16,568,960	15,622,329
	P17,699,951	P19,301,720	P19,293,747

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	**2015**	2014	2013
Inventories at beginning of year	*6*	**P13,993,229**	P13,582,447	P14,560,701
Purchases		**52,854,755**	56,696,788	58,771,715
Available for sale and use		**66,847,984**	70,279,235	73,332,416
Inventories at end of year	*6*	**(12,340,792)**	(13,993,229)	(13,582,447)
		P54,507,192	P56,286,006	P59,749,969

16. Selling Expenses

This account consists of:

	Note	2015	2014	2013
Salaries, wages and employee benefits:	*21*			
Food and beverage		**P31,099,865**	P32,252,688	P34,125,259
Rooms		**29,815,663**	30,393,903	29,707,598
Other operating departments		**1,265,462**	1,285,659	1,272,489
		62,180,990	63,932,250	65,105,346
Property operation, maintenance, energy and conservation		**80,483,496**	98,794,538	103,083,894
Guest supplies		**9,779,840**	9,602,307	9,984,630
Commission		**8,049,420**	8,423,737	6,231,033
Transport charges		**6,302,642**	6,490,719	6,931,548
Laundry and dry cleaning		**5,331,439**	5,097,076	5,186,222
Online selling and marketing tools		**3,442,052**	3,346,056	635,118
Printing and stationery		**1,929,781**	2,105,581	2,358,083
Kitchen fuel		**1,716,756**	2,652,540	2,841,429
Housekeeping expense - night cleaning		**1,436,580**	1,539,193	1,344,239
Operating supplies		**1,263,205**	1,028,138	1,186,414
Music and entertainment		**1,086,648**	1,078,670	1,003,012
Cleaning supplies		**643,835**	644,809	775,512
Permits and licenses		**513,452**	606,050	350,633
Miscellaneous		**8,333,318**	6,287,010	7,516,897
		P192,493,454	P211,628,674	P214,534,010

17. Administrative Expenses

This account consists of:

	Note	**2015**	2014	2013
Hotel overhead departments				
Salaries, wages and employee benefits:	*21*			
Administrative and general		**P33,525,853**	P35,637,618	P35,176,442
Engineering		**9,711,386**	12,792,037	8,727,296
Sales and marketing		**7,885,728**	7,972,648	7,857,115
Human resources		**2,234,627**	1,423,807	2,743,667
		53,357,594	57,826,110	54,504,520
Management and incentive fees	*14*	**20,762,185**	20,816,244	25,020,591
Credit card commission		**5,632,812**	6,265,220	5,918,815
Dues and subscription		**4,644,950**	3,893,774	3,071,583
Data processing		**2,254,199**	2,166,924	2,438,617
Telecommunications		**1,036,083**	1,174,547	2,070,823
Advertising		**1,044,046**	790,253	1,240,189
Entertainment		**751,766**	905,428	867,063
Awards and social activities		**572,725**	702,428	686,714
Miscellaneous		**3,026,379**	2,861,583	4,162,326
		93,082,739	97,402,511	99,981,241
Corporate office				
Depreciation and amortization	*10*	**39,558,871**	38,864,197	36,293,759
Leased land rental	*14, 20*	**17,797,608**	17,797,608	10,678,560
Professional fees		**14,357,245**	6,977,782	7,446,688
Write-off of receivables	*5, 13*	**12,617,105**	-	-
Corporate office payroll and related expense		**11,471,410**	7,409,803	3,584,995
Property tax		**9,265,681**	9,265,761	9,265,681
Insurance		**8,976,761**	9,071,572	12,620,164
Office supplies		**1,023,143**	972,205	1,033,836
Taxes and licenses		**543,516**	12,227,976	8,680,760
Transportation and travel		**520,706**	704,986	131,533
Directors' fees/allowances		**398,708**	1,311,151	1,494,626
Provision for impairment losses on receivables	*26*	**94,343**	13,156,558	27,260
Utility charges		**-**	-	7,464,596
Miscellaneous		**2,641,564**	1,973,529	824,609
		119,266,661	119,733,128	99,547,067
		P212,349,400	P217,135,639	P199,528,308

18. Earnings per Share

Basic and diluted earnings per share are computed as follows:

	2015	2014	2013
Weighted average number of common shares:			
Balance at beginning of year	**P53,717,369**	P54,702,219	P57,551,552
Weighted average number of shares acquired during the year	**-**	(539,141)	(1,560,672)
	P53,717,369	P54,163,078	P55,990,880

	2015	2014	2013
Net income for the year	**P5,772,079**	P393,898	P85,576,676
Divided by weighted average number of outstanding shares	**53,717,369**	54,163,078	55,990,880
	P0.11	P0.01	P1.53

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

19. Refundable Deposits

This account consists of:

	Note	2015	2014
PAGCOR	*20*	**P25,349,438**	P25,349,438
Others		**5,396,673**	30,770,381
		30,746,111	56,119,819
Less: Current portion		**25,349,438**	49,346,738
		P5,396,673	P6,773,081

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

In October 2014, the Company had a potential tenant on the space previously rented by PAGCOR. It paid the lease deposit amounting to P23.99 million upon signing the Memorandum of Agreement.

In 2015, PAGCOR did not grant the potential tenant a license to operate a casino. The potential tenant refunded the lease deposit amounting to P19.53 million and the remaining balance of P4.46 million, inclusive 12% VAT, was forfeited by the Company and was recognized as "Other income" in profit or loss.

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 P30,746,111 and P56,119,819 as at December 31, 2015 and 2014, respectively, and are shown as part of "Refundable deposits" in the statements of financial position. Rent income amounted to P2,847,052 and P2,209,159 in 2015 and 2014, 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, P17.80 million and P10.68 million shown as part of leased rental under "Administrative expenses" account in 2015, 2014 and 2013, respectively (see Note 17).

Future minimum rental obligations on the land are as follows:

	2015	2014	2013
Due within one year	**P17,797,608**	P17,797,608	P10,678,560
After one year but not more than five years	**88,988,040**	88,988,040	-
More than 5 years	**320,356,944**	338,154,552	-
	P427,142,592	P444,940,200	P10,678,560

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, 2015.

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 P25,489,767 and P26,634,668 as at December 31, 2015 and 2014, respectively.

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

	2015	2014
Balance at January 1	**P26,634,668**	P21,914,777
Included in Profit or Loss		
Current service cost	**1,796,360**	1,988,063
Interest cost	**1,358,368**	964,250
	3,154,728	2,952,313
Included in Other Comprehensive Income (OCI)		
Remeasurements loss (gain):		
Actuarial loss (gain) arising from:		
Financial assumptions	**1,266,784**	(1,144,185)
Experience adjustment	**(5,166,107)**	3,128,766
	(3,899,323)	1,984,581
Others		
Benefits paid	**(400,306)**	(217,003)
Balance at December 31	**P25,489,767**	P26,634,668

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

	2015	2014	2013
Current service cost	**P1,796,360**	P1,988,063	P1,442,564
Interest cost	**1,358,368**	964,250	1,382,280
Retirement benefits cost	**P3,154,728**	P2,952,313	P2,824,844

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

	2015	2014	2013
Cumulative actuarial gain at the beginning of the year	**P6,708,626**	P8,693,207	P10,163,191
Actuarial gain (loss) arising from:			
Financial assumptions	**(1,266,784)**	1,144,185	(3,501,119)
Experience adjustment	**5,166,107**	(3,128,766)	2,031,135
Cumulative actuarial gain at the end of the year	**P10,607,949**	P6,708,626	P8,693,207

The net accumulated actuarial gains, net of deferred tax amounted to P7,425,564, P4,696,038 and P6,085,245 as at December 31, 2015, 2014 and 2013, respectively, as presented in the statements of changes in equity.

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

	2015	2014	2013
Discount rate	**5%**	5%	5%
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)	(1,266,784)	1,366,605
Future salary increase rate (1% movement)	1,311,605	(1,228,356)

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.

The defined benefit plan exposes 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 12 years as at December 31, 2015 and 2014.

The maturity analysis of the benefit payments is as follows:

	2015				
	Carrying Amount	**Contractual Cash Flows**	**Less than 5 Years**	**5 Years but Less than 10 Years**	**More than 10 Years**
Retirement benefits liability	**P25,489,767**	**P93,358,992**	**P6,899,779**	**P8,229,568**	**P78,229,645**

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:

	2015	2014	2013
Current tax expense	**P4,358,744**	P9,802,073	P34,405,405
Deferred tax expense (benefit)	**2,269,530**	(6,230,909)	3,798,738
	P6,628,274	P3,571,164	P38,204,143

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:

	2015	2014	2013
Income before income tax	**P12,400,353**	P3,965,062	P123,780,819
Income tax expense at statutory tax rate (30%)	**P3,720,106**	P1,189,519	P37,134,246
Additions to (reductions in) income tax resulting from the tax effects of:			
Income subjected to final tax	**(172,724)**	(200,878)	(735,120)
Equity in net income of an associate	**(711,739)**	(532,230)	(183,312)
Non deductible expense	**3,792,631**	3,114,753	1,988,329
	P6,628,274	P3,571,164	P38,204,143

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

				December 31		
2015	**Net Balance at January 1**	**Recognized in Profit or Loss**	**Recognized in OCI**	**Net Balance**	**Deferred Tax Assets**	**Deferred Tax Liabilities**
Accrued retirement benefits liability	**P10,002,988**	**P826,327**	**P -**	**P10,829,315**	**P10,829,315**	**P -**
Allowance for impairment losses on receivables	**3,993,654**	**28,303**	**-**	**4,021,957**	**4,021,957**	**-**
Unrealized foreign exchange loss (gain)	**414,085**	**(3,124,160)**	**-**	**(2,710,075)**	**-**	**(2,710,075)**
Actuarial gain on defined benefit plan	**(2,012,588)**	**-**	**(1,169,797)**	**(3,182,385)**	**-**	**(3,182,385)**
Net tax assets and liabilities	**P12,398,139**	**(P2,269,530)**	**(P1,169,797)**	**P8,958,812**	**P14,851,272**	**(P5,892,460)**

2014	Net Balance at January 1	Recognized in Profit or Loss	Recognized in OCI	December 31 Net Balance	Deferred Tax Assets	Deferred Tax Liabilities
Accrued retirement benefits liability	P9,182,395	P820,593	P -	P10,002,988	P10,002,988	P -
Allowance for impairment losses on receivables	46,686	3,946,968	-	3,993,654	3,993,654	-
Unrealized foreign exchange loss (gain)	(1,049,263)	1,463,348	-	414,085	414,085	-
Actuarial gain on defined benefit plan	(2,607,962)	-	595,374	(2,012,588)	-	(2,012,588)
Net tax assets and liabilities	P5,571,856	P6,230,909	P595,374	P12,398,139	P14,410,727	(P2,012,588)

23. Appropriation of Retained Earnings

The Company has appropriated the amounts of nil, P49,242,500 and P142,466,650 in 2015, 2014 and 2013, respectively, to finance the acquisition of treasury stock during those years.

24. Share Capital

a. Capital Stock

	2015	2014
Authorized - 115,000,000 shares at 10 par value shares		
Issued	**87,318,270**	87,318,270
Less treasury stock	**(33,600,901)**	(33,600,901)
Total issued and outstanding	**53,717,369**	53,717,369

b. Treasury Stock

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

	2015	2014	2013
Balance at beginning of year	**33,600,901**	32,616,051	29,766,718
Acquisition of treasury stock during the year	**-**	984,850	2,849,333
	33,600,901	33,600,901	32,616,051

25. Reclassification of Accounts

Refundable deposit amounting to P25,349,438 made by PAGCOR was reclassified from noncurrent to current liability in the 2014 financial statements to conform with the 2015 presentation.

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, 2015 and 2014 represents the maximum credit exposure. The maximum exposure to credit risk at the reporting dates is as follows:

	Note	**2015**	2014
Cash and cash equivalents (excluding cash on hand)	*4*	**P238,561,649**	P236,282,563
Receivables - net	*5, 14*	**106,060,371**	304,110,706
Loan receivable	*9, 14*	**15,500,000**	15,500,000
Due from related parties	*14*	**50**	350
Lease deposit	*11*	**78,000,000**	78,000,000
		P438,122,070	P633,893,619

Details of trade receivables from charge customers as at December 31, 2015 and 2014 by type of customer are as follows:

	Note	**2015**	2014
Airlines		**P11,124,817**	P7,310,132
PAGCOR		**8,936,199**	8,936,199
Embassy and Government		**8,282,208**	2,913,503
Corporations		**4,669,473**	5,216,038
Travel agencies		**4,045,471**	3,389,789
Credit cards		**2,682,713**	4,158,078
Others		**7,417,088**	4,524,871
	5	**47,157,969**	36,448,610
Less allowance for impairment losses on trade receivables - charge customers	*5*	**789,417**	387,679
		P46,368,552	P36,060,931

The Company's most significant customer, Airlines, accounts for 24% and 20% of the trade receivables from charge customers as at December 31, 2015 and 2014, respectively.

The aging of trade receivables from charge customers as at December 31, 2015 and 2014 is as follows:

	2015		2014	
	Gross Amount	**Impairment**	Gross Amount	Impairment
Current	**P20,830,706**	**P -**	P17,083,679	P -
Over 30 days	**7,508,776**	**-**	7,006,072	-
Over 60 days	**3,772,458**	**-**	2,908,643	-
Over 90 days	**15,046,028**	**789,417**	9,450,216	387,679
	P47,157,969	**P789,417**	P36,448,610	P387,679

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 allowance for 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:

	Note	Amount
Balance at January 1, 2014		P155,621
Provision in 2014	*17*	13,156,558
Balance at December 31, 2014	*5*	13,312,179
Provision in 2015	*17*	94,343
Balance at December 31, 2015	*5*	P13,406,522

The allowance for impairment losses on trade receivables as of December 31, 2015 and 2014 of P13,406,522 and P13,312,179, 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, 2015			
	Grade A	**Grade B**	**Grade C**	**Total**
Cash in banks and cash equivalents	**P238,561,649**	**P -**	**P -**	**P238,561,649**
Receivables - net	**76,414,143**	**9,407,190**	**20,239,038**	**106,060,371**
Loan receivable	**-**	**15,500,000**	**-**	**15,500,000**
Due from related parties	**50**	**-**	**-**	**50**
Lease deposit	**78,000,000**	**-**	**-**	**78,000,000**
	P392,975,842	**P24,907,190**	**P20,239,038**	**P438,122,070**

	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

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, 2015 and 2014 amounted to P133,074,884 and P365,920,433, respectively, which are less than its total current assets of P387,159,095 and P582,912,986, 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

The Company is mainly exposed to foreign currency risk on its cash and cash equivalent that are a denominated in a currency other than the Company's functional currency. The currencies giving rise to this risk are primarily the Philippine peso (PHP) and United States (US) dollar. The Company ensures that its exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

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:

	2015		2014	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Cash and cash equivalents	**P239,183,149**	**P239,183,149**	P237,078,063	P237,078,063
Receivables - net	**106,060,371**	**106,060,371**	304,110,706	304,110,706
Loan receivable	**15,500,000**	**15,500,000**	15,500,000	15,500,000
Due from related parties	**50**	**50**	350	350
Lease deposit	**78,000,000**	**78,000,000**	78,000,000	78,000,000
Accounts payable and accrued expenses	**83,099,316**	**83,099,316**	77,919,262	77,919,262
Due to related parties	**6,798,190**	**6,798,190**	6,090,243	6,090,243
Refundable deposits	**30,746,111**	**30,746,111**	56,119,819	56,119,819
Other current liabilities*	**12,232,261**	**12,232,261**	20,752,217	20,752,217

**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, 2015 and 2014, 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, 2015 and 2014. As at December 31, 2015 and 2014, the Company issue/offer price is P17.80 and P25, respectively, based on the Philippine Stock Exchange (PSE) website. The total number of shareholders is 506 as at December 31, 2015 and 2014.

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, 2015:

I. Based on RR No. 15-2010

A. Value Added Tax (VAT)

1. Output VAT	**P52,953,358**
Account title used:	
Basis of the Output VAT:	
Vatable sales	**P441,277,985**
Exempt sales	**7,330,630**
Zero rated sales	**2,729,944**
	P451,338,559

2. Input VAT	
Beginning of the year	**P6,726,359**
Current year's domestic purchases:	
a. Goods for resale/manufacture or further processing	**5,914,870**
b. Services lodged under other accounts	**19,690,099**
Less: Applied input VAT during the year	**26,752,037**
Balance at the end of the year	**P5,579,291**

B. Withholding Taxes

Tax on compensation and benefits	**P19,710,537**
Creditable withholding taxes	**8,087,422**
Final withholding taxes	**50,000**
	P27,847,959

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	**P9,265,681**
License and permit fees	**514,952**
Others	**542,016**
	P10,322,649

D. Deficiency Tax Assessments

Period Covered	**Amount***
2001	**P765,104**
2008	**262,576,825**
	P263,341,929

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

E. Tax Cases

As at December 31, 2015, 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. 2008 - The Company filed a petition for review with the CTA on February 20, 2015 to invalidate the collection proceedings of the BIR.

C O V E R S H E E T
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 1: 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.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

GRAND PLAZA HOTEL CORPORATION
SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

Items	*Amount*
Unappropriated Retained Earnings, beginning	**P100,841,052**
Adjustments:	
(see adjustments in previous year's Reconciliation)	**(44,391,792)**
Unappropriated Retained Earnings, as adjusted, beginning	**56,449,260**
Net Income based on the face of AFS	**5,772,079**
Less: Non-actual/unrealized income net of tax	
Equity in net income of associate/joint venture	**(2,372,464)**
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	-
Unrealized actuarial gain	-
Fair value adjustment (M2M gains)	-
Fair value adjustment of Investment Property resulting to gain Adjustment due to deviation from PFRS/GAAP-gain	-
Fair value adjustment of Investment Property resulting to gain Adjustment due to deviation from PFRS/GAAP-gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Recognized deferred tax assets	**(2,269,530)**
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP - loss	-
Loss on fair value adjustment of investment property (after tax)	-
Net Income Actual/Realized	**1,130,085**
Add (Less) :	
Dividend declarations during the period	
Appropriations of Retained Earnings during the period	-
Reversals of appropriations	-
Effects of prior period adjustments	-
Treasury shares	-
	1,130,085
Unappropriated Retained Earnings, as adjusted, ending	**P57,579,345**

GRAND PLAZA HOTEL CORPORATION

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✔		
PFRSs Practice Statement Management Commentary			✔	
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✔		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✔		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✔
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✔
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✔
	Amendments to PFRS 1: Government Loans			✔
	Annual Improvements to PFRSs 2009 - 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards - Repeated Application of PFRS 1			✔
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Borrowing Cost Exemption			✔
	Annual Improvements to PFRSs 2011 - 2013 Cycle: PFRS version that a first-time adopter can apply	✔		
PFRS 2	Share-based Payment			✔
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✔
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✔
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Meaning of 'vesting condition'			✔
PFRS 3 (Revised)	Business Combinations			✔
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Classification and measurement of contingent consideration			✔
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope exclusion for the formation of joint arrangements			✔
PFRS 4	Insurance Contracts			✔
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✔
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✔
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Changes in method for disposal			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PFRS 6	Exploration for and Evaluation of Mineral Resources			✔
PFRS 7	Financial Instruments: Disclosures	✔		
	Amendments to PFRS 7: Transition	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✔		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✔		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✔		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✔		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✔		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: 'Continuing involvement' for servicing contracts			✔
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Offsetting disclosures in condensed interim financial statements			✔
PFRS 8	Operating Segments			✔
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Disclosures on the aggregation of operating segments			✔
PFRS 9	Financial Instruments	✔		
	Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39			✔
PFRS 9 (2014)	Financial Instruments		✔	
PFRS 10	Consolidated Financial Statements			✔
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✔
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✔
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✔
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✔
PFRS 11	Joint Arrangements			✔
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✔
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✔		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✔
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✔
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✔
PFRS 13	Fair Value Measurement	✔		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Measurement of short-term receivables and payables	✔		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope of portfolio exception			✔
PFRS 14	Regulatory Deferral Accounts			✔
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✔		
	Amendment to PAS 1: Capital Disclosures	✔		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✔
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✔		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of Financial Statements - Comparative Information beyond Minimum Requirements	✔		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes	✔		
	Amendments to PAS 1: Disclosure Initiative		✔	
PAS 2	Inventories	✔		
PAS 7	Statement of Cash Flows	✔		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✔		
PAS 10	Events after the Reporting Period	✔		
PAS 11	Construction Contracts			✔
PAS 12	Income Taxes	✔		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✔		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Property, Plant and Equipment - Classification of Servicing Equipment	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization		✓	
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Discount rate in a regional market sharing the same currency - e.g. the Eurozone			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Definition of 'related party'	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	✔		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✔
	Amendment to PAS 32: Classification of Rights Issues			✔
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✔		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Financial Instruments Presentation - Income Tax Consequences of Distributions	✔		
PAS 33	Earnings per Share	✔		
PAS 34	Interim Financial Reporting			✔
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Interim Financial Reporting - Segment Assets and Liabilities			✔
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Disclosure of information "elsewhere in the interim financial report'			✔
PAS 36	Impairment of Assets	✔		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✔		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✔		
PAS 38	Intangible Assets	✔		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)	✔		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization		✔	
PAS 39	Financial Instruments: Recognition and Measurement	✔		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✔		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✔
	Amendments to PAS 39: The Fair Value Option			✔
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✔
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✔		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✔
	Amendment to PAS 39: Eligible Hedged Items			✔
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✔

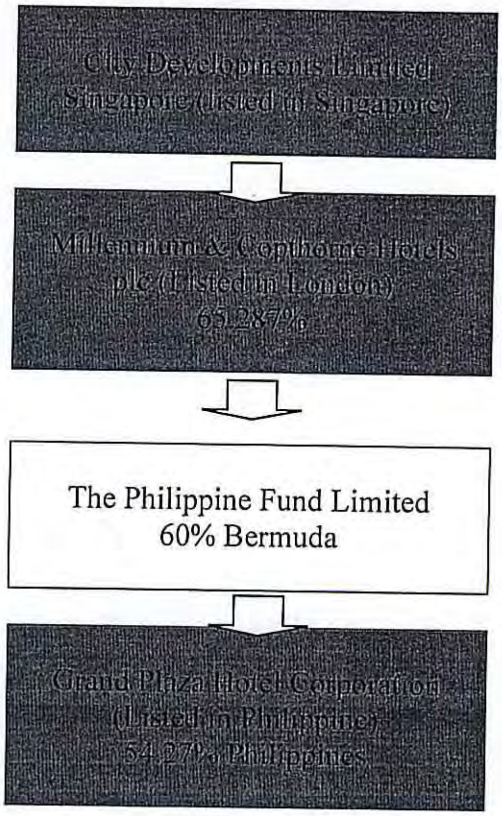
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 40	Investment Property			✔
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)			✔
PAS 41	Agriculture			✔
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✔
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✔
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✔
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✔
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✔
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✔
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✔
IFRIC 9	Reassessment of Embedded Derivatives			✔
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✔
IFRIC 10	Interim Financial Reporting and Impairment			✔
IFRIC 12	Service Concession Arrangements			✔
IFRIC 13	Customer Loyalty Programmes			✔
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✔
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✔
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✔
IFRIC 17	Distributions of Non-cash Assets to Owners			✔
IFRIC 18	Transfers of Assets from Customers			✔
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✔
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✔
IFRIC 21	Levies			✔
SIC-7	Introduction of the Euro			✔
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✔
SIC-15	Operating Leases - Incentives			✔
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✔
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
SIC-29	Service Concession Arrangements: Disclosures.			✔
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✔
SIC-32	Intangible Assets - Web Site Costs			✔
Philippine Interpretations Committee Questions and Answers				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			✔
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements			✔
PIC Q&A 2007-01-Revised	PAS 1.103(a) - Basis of preparation of financial statements if an entity has not applied PFRSs in full			✔
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]			✔
PIC Q&A 2007-03	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)			✔
PIC Q&A 2007-04	PAS 101.7 - Application of criteria for a qualifying NPAE			✔
PIC Q&A 2008-01-Revised	PAS 19.78 - Rate used in discounting post-employment benefit obligations	✔		
PIC Q&A 2008-02	PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20			✔
PIC Q&A 2009-01	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern			✔
PIC Q&A 2009-02	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✔
PIC Q&A 2010-01	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✔
PIC Q&A 2010-02	PAS 1R.16 - Basis of preparation of financial statements	✔		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan			✔
PIC Q&A 2011-01	PAS 1.10(f) - Requirements for a Third Statement of Financial Position			✔
PIC Q&A 2011-02	PFRS 3.2 - Common Control Business Combinations			✔
PIC Q&A 2011-03	Accounting for Inter-company Loans	✔		
PIC Q&A 2011-04	PAS 32.37-38 - Costs of Public Offering of Shares			✔
PIC Q&A 2011-05	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost			✔
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of Investment properties - asset acquisition or business combination?			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PIC Q&A 2012-01	PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			✔
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✔
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✔
PIC Q&A 2013-02	Conforming Changes to PIC Q&As - Cycle 2013			✔
PIC Q&A 2013-03 (Revised)	PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law			✔

The Group Structure

The Philippine Fund Limited Group Structure



As at 31 December 2015