

income. The Club's unrecognized deferred tax assets amounted to ₱14.82 million and ₱2.63 million as of December 31, 2019 and 2018, respectively.

Further details on deferred tax assets are provided in Note 10.

4. Cash

This account consists of:

	2019	2018
Cash in bank	₱11,371,415	₱158,047,363
Petty cash fund	50,000	—
	₱11,421,415	₱158,047,363

Cash in bank refers to savings account maintained by the Club with a local bank. Interest income earned from cash in bank amounted to ₱276,812, ₱77,294, and ₱42,183 in 2019, 2018, and 2017 respectively. Corresponding final tax on interest income in 2019, 2018 and 2017 amounted to ₱55,362, ₱15,459, and ₱8,437, respectively (see Note 10).

5. Accounts and Other Receivables

This account consists of:

	2019	2018
Due from related parties (Note 11)	₱2,810,487	₱1,085,532
Trade receivables	2,654,729	—
Receivable from employees	112,500	—
	₱5,577,716	₱1,085,532

Due from related parties pertains to usage of the Club's facilities.

Trade receivables pertain mainly to sales generated by the Club's restaurant and sports and recreation facilities. These are collectible and billed to member within one month from consumption and usage.

Receivable from employees represent advances for travel and other expenses arising in the ordinary course of business. These are non-interest bearing and are recoverable through expense liquidation within one (1) month from grant date.

6. Inventories

This includes food and beverages items and supplies consumed in the production process of food and beverages in the Club's restaurant and cafes.

As of December 31, 2019 and 2018, inventories amounted to ₱2.02 million and nil respectively. Inventories are stated at cost, which is lower than their net realizable value.

Food and beverages charged to costs of operations amounted to ₱2.67 million and nil in 2019 and 2018 respectively (see Note 12).



7. Property and Equipment

Movements in this account are as follows:

2019

	Construction In Progress	Land	Building	Facilities, Furniture, Fixtures and Equipment	Transportation Equipment	Total
Cost						
Balance at beginning of year	₱752,862,428	₱14,429,178	₱-	₱-	₱-	₱767,291,606
Additions	63,427,492	-	-	12,632,012	3,802,541	79,862,045
Transfers	(816,289,920)	-	816,289,920	-	-	-
Balance at end of year	-	14,429,178	816,289,920	12,632,012	3,802,541	847,153,651
Accumulated Depreciation						
Balance at beginning of year	-	-	-	-	-	-
Depreciation	-	-	8,503,020	1,370,380	570,381	10,443,781
Balance at end of year	-	-	8,503,020	1,370,380	570,381	10,443,781
Net Book Value	₱-	₱14,429,178	807,786,900	₱11,261,632	₱3,232,160	₱836,709,870

2018

	Construction in Progress	Land	Building	Facilities, Furniture, Fixtures and Equipment	Transportation Equipment	Total
Cost						
Balance at beginning of year	₱480,599,866	₱14,429,178	₱-	₱-	₱-	₱495,029,044
Additions	272,262,562	-	-	-	-	272,262,562
Net Book Value	₱752,862,428	₱14,429,178	₱-	₱-	₱-	₱767,291,606

On July 31, 2019 the Club has its official Grand Launch and started to operate for the use of normal business in which the Club transferred the construction in progress account into "Building" account upon operation.

8. Accounts and Other Payables

This account consists of:

	2019	2018
Due to related parties (Note 11)	₱40,296,786	₱508,249,064
Accounts payable	10,361,341	9,764,337
Accrued payable	5,647,289	1,438,906
Unearned income	3,383,621	-
Payable to government	149,664	688,193
	₱59,838,701	₱520,140,500

Due to related parties largely pertains to advances received from NCI amounting ₱39.23 million and ₱302.21 million as of December 31, 2019 and 2018, respectively. This account also includes outstanding balance due to ALI for its advances made to the Club amounting to ₱0.88 million and ₱0.28 million as of December 31, 2019 and 2018, respectively.

Accounts payable pertains to construction costs incurred and amount due to supplier for purchases of goods and services. These are noninterest-bearing and are settled within one year.

Accrued payable pertains to professional fees and contracted services incurred by the Club.



Unearned income pertains to payments received from member for future consumption of Club's services and facilities, monthly membership dues received by the Club in advance, deposits from members and guests for booked functions and events.

Payable to government agency pertains to withholding taxes payable to Bureau of Internal Revenue (BIR) and statutory employee remittances to other government agencies.

9. Equity

The Club has an authorized capital stock of 6,800, no par shares. The details of the number of authorized and issued shares of the Club as of December 31, 2019 and 2018 follow:

Class	Authorized	Issued and Subscribed
Class A	3,700	3,700
Class B	2,600	2,600
Class C	300	300
Class D	200	200
	6,800	6,800

Class A shares

Class A shares shall be held by an individual, corporation, partnership or association, irrespective of nationality or citizenship. Class A shares are issued to the original subscribers of the Club and shall have the status of Founders' Shares with all the rights and privileges a subscribed to Founders' shares. Founders' shares are subjected to the rights and restrictions within a period of five (5) years from date of incorporation: (a) has sole and exclusive right to nominate persons who shall serve as director of the Club; (b) are prohibited from selling and transferring founders' share to third persons; (c) usage without the need for activation fee; and (d) application and qualification of its nominee for membership to the Club.

Class B and D shares

Class B and D shares shall be held by an individual, corporation, partnership or association, irrespective of nationality or citizenship. Each Class B shares shall be entitled to one (1) usage right which shall be exercised by the holder thereof or its nominee in the manner set forth in the By-laws of the Club.

Holders of Class B and D shares shall not enjoy preemptive rights to (a) subscribe to any or all original issuance of Class A shares, Class B shares, and Class C shares of the Club, and (b) to any sale, assignment or transfer of any class of treasury shares.

Class C shares

Class C shares shall be held by a corporation, partnership or association, irrespective of nationality or citizenship. Each Class C shares shall be entitled to two (2) usage rights which shall be exercised by the holder thereof or its nominee in the manner set forth in the By-laws of the Club.

Holders of Class C shares shall not enjoy preemptive rights to (a) subscribe to any or all original issuance of Class A shares, Class B shares, and Class D shares of the Club, and (b) to any sale, assignment or transfer of any class of treasury shares.

In view of the issuance of Founders' shares, the voting rights pertaining to Class B, C and D shares shall be suspended for the period commencing from the date of incorporation of the Club up to and including the date prior to the fifth anniversary of such date of incorporation. Upon the expiry of such five (5)-year period, the Class A shares shall automatically lose their character as Founders' Shares and the holder thereof shall be deemed to be a holder of a regular Class A share, whereby the voting rights of all the other classes of shares in the Club.



Upon the incorporation of the Club, NCI invested the amount of ₱133.00 million in cash consideration for the issuance of club shares, at its initial issue price of ₱76,000 per share. Furthermore, NCI paid for the documentary stamp tax related to the Club's incorporation amounting ₱0.66 million.

NCI is authorized to offer the club shares to the public by way of secondary offering. As of December 31, 2019 and 2018, NCI sold 6.51% and 4.65% of its total shares from the Club, respectively. Ownership of these shares are transferred once all payments are fully paid.

On August 10, 2018, the SEC approved the confirmation of valuation of advances from NCI amounting ₱196.99 million in exchange of 2,592 Class A shares.

On October 4, 2018, the BOD approved the subscription of NCI to the Club's remaining authorized capital stock comprising of 83 Class A shares, 1,950 Class B shares, 225 Class C shares and 200 Class D shares at an issue price of ₱254,985 per share. As of December 31, 2019, NCI already paid in full the total subscription price.

Capital Management

Cash in bank is maintained at a level that will enable the Club to fund its general and administrative expenses as well as to have additional funds to support future expansion and growth in its business operations. The Club manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2019 and 2018.

The Club's primary source of capital is its capital stock amounting to ₱956.75 million and ₱486.68 million as of December 31, 2019 and 2018, respectively.

The Club is not subject to any externally imposed capital requirement.

10. Income Tax

The provision for income tax consists of:

	2019	2018	2017
Current	₱67,483	₱-	₱-
Final	55,362	15,459	8,437
Provision for income tax	₱122,845	₱15,459	₱8,437

The current provision for income tax in 2019 pertains to MCIT.

The reconciliation between the statutory and the effective income tax rates follows:

	2019	2018	2017
Benefit from income tax computed at statutory income tax rate	(₱12,897,952)	(₱1,190,844)	(₱285,386)
Tax effects of:			
Movement in unrecognized deferred tax asset	12,697,880	1,144,456	285,241
Nondeductible expenses	350,598	69,576	12,800
Interest income already subjected to final tax	(27,681)	(7,729)	(4,218)
Provision for income tax	₱122,845	₱15,459	₱8,437



The components of unrecognized deferred tax assets follow:

	2019	2018	2017
NOLCO	₱42,529,837	₱7,041,226	₱6,501,087
Accrued expenses	6,793,775	1,714,915	1,715,081
MCIT	67,483	-	-
	₱49,391,095	₱8,756,141	8,216,168

The details of the Club's NOLCO follows:

Year Incurred	Amount	Used	Expired	Balance	Expiry Year
2019	₱38,159,095	₱-	₱-	₱38,159,095	2022
2018	3,815,019	-	-	3,815,019	2021
2017	555,723	-	-	555,723	2020
2016	2,670,484	-	(2,670,484)	-	2019
	₱45,200,321	₱-	(₱2,670,484)	₱42,529,837	

The details of the Club's MCIT follows:

Year Incurred	Amount	Used	Expired	Balance	Expiry Year
2019	₱67,483	₱-	₱-	₱67,483	2022

11. Related Party Transaction

Parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions, the parties are subject to common control or the party is an associate or a joint venture. Related parties may be individuals or corporate entities.

Terms and Conditions of Transactions with Related Parties

In the ordinary course of business, the Club has transactions with related parties. There have been no guarantees provided or received for any related party receivables or payables. These accounts are due based on normal credit terms, noninterest-bearing and are generally unsecured except for advances to contractors which is subject to recoupment over the term of the construction.

Impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties.

The following table shows the related party transactions included in the financial statements:

as	Nature	Volume of transactions		Outstanding balance		Terms	Conditions
		2019	2018	2019	2018		
NCI	Due to Parent Company	(₱262,978,179)	₱24,008,000	₱39,231,771	₱302,209,950	Due and demandable Noninterest bearing	Unsecured
	Due from Parent Company	(983,175)	-	2,068,707	1,085,532	Due and demandable Noninterest bearing	Unsecured
MDC	Due to related parties	(205,756,900)	56,907,765	-	205,756,900	Due and demandable Noninterest bearing	Unsecured

(Forward)



as	Nature	Volume of transactions		Outstanding balance		Terms	Conditions
		2019	2018	2019	2018		
	Advances to contractors	₱10,951,353	₱4,415,921	₱-	₱10,951,353	Recouped every progress billing payment	Unsecured
	Retention payable	(23,090,002)	6,167,720	-	23,090,002	Noninterest bearing Collectible after the expiration of the warranty period of the project	Unsecured
ALI	Due to related parties	601,662	86,787	883,876	282,214	Noninterest bearing Due and demandable	Unsecured
	Due from related parties	741,780	-	741,780	-	Noninterest bearing Due and demandable	Unsecured
Ayala Property Management Corp. (APMC)	Due to related parties	12,400	-	12,400	-	Noninterest bearing Due and demandable	Unsecured
Manila Water Ventures Philippines Ventures Inc.	Due to related parties	141,641	-	141,641	-	Noninterest bearing Due and demandable	Unsecured
Globe Telecom Inc.	Due to related parties	27,098	-	27,098	-	Noninterest bearing Due and demandable	Unsecured

The following describes the nature of the transactions of the Club with related parties as of December 31, 2019 and 2018:

- In various dates in 2019, NCI made advances amounting to ₱39.23 million and ₱302.21 million as of December 31, 2019 and December 31, 2018, respectively, to the Club for the payment of pre-operation and development costs.
- The outstanding balance due to ALI as of December 31, 2019 and 2018 pertains to advances made to the Club amounting to ₱0.88 and ₱0.29 million, respectively.
- Receivable from ALI pertains to its consumption and usage of the Club's facilities with charges amounting to ₱0.74 million as of December 31, 2019.
- The outstanding balance due to APMC as of December 31, 2019 pertains to parking fees charged to the Club amounting to ₱0.01 million.
- Outstanding balance amounting to ₱0.14 million due to Manila Water Philippine Ventures Inc. as of December 31, 2019 pertains to water expense incurred by the Club. Total water expense incurred by the Club for 2019 amounts to ₱0.81 million
- Outstanding balance amounting to ₱0.03 million due to Globe Telecom Inc. as of December 31, 2019 pertains to communication expense incurred by the Club. Total communication expense incurred by the Club for 2019 amounts to ₱0.05 million
- As of December 31, 2019 and 2018, the Club maintains its cash in bank account with BPI, a related party, amounting to ₱11.37 million and ₱158.05 million, respectively. Interest income earned from cash in bank amounted to ₱276,812, ₱77,294, and ₱42,183 in 2019, 2018 and



2017, respectively. Corresponding final tax in 2019, 2018 and 2017 amounted to ₱55,362, ₱15,459, and ₱8,437, respectively.

- h. Payable to MDC pertains to service rendered for the construction of Club facilities. The Club made payments for the total billed and unbilled balance due to MDC in 2019.
- i. The key management personnel of the Club are its BOD. In 2019, 2018 and 2017, no compensation has been granted by the Club to them.

12. Revenue, Costs and Expenses

Disaggregated Revenue Information

The table shows the disaggregation of revenues of the Club by major sources for the year ended December 31, 2019:

Sale of goods	₱6,419,259
Membership dues	4,941,000
Service income:	
Guest fees	326,196
Sports complex revenue	265,776
Spa	125,223
	₱12,077,454

Performance Obligations

Information about the Club's performance obligations are summarized below:

Sale of goods

Revenue is recorded at point in time when the services are provided, or goods are delivered.

Membership dues

The performance obligation to provide members with access to the Club's facilities and amenities is satisfied over time.

Service income

The performance obligation to provide the services to members and/or guests is satisfied over time.

Cost of sales and services in 2019 consist of:

Cost of goods (Note 6)	₱2,669,383
Cost of services	555,277
	₱3,224,660

Direct operating expenses consist of:

	2019	2018	2017
Contracted services	₱16,491,299	₱-	₱-
Depreciation (Note 7)	10,443,781	-	-
Utilities	6,302,708	-	-
Supplies	5,984,626	-	-
Representation	1,230,369	-	42,666
Repairs and maintenance	581,698	-	-
Transportation and travel	572,031	-	30,590
Insurance	556,862	-	-
Marketing	-	302,273	562,346
Others	1,196,125	37,500	13,808
	₱43,359,499	₱339,773	₱649,410



Contracted services mostly pertain to services rendered by the Club's staff and security personnel.

Utilities expense pertains to electricity and water consumption.

Supplies mostly pertain to kitchen tools, cleaning and housekeeping materials, and pool chemicals.

Representation pertains to expenses incurred as complimentary to customers or suppliers.

Repairs and maintenance pertain to expenses incurred for the upkeep of properties of the Club.

Transportation and travel pertain to fares, toll fees, fuel and accommodation incurred during official business trip of the employees.

Other expenses mostly pertain to cost of spoilage and daily meals given to employees.

General administrative expenses consist of:

	2019	2018	2017
Salaries and other benefits	₱7,520,277	₱-	₱-
Contracted services	631,007	-	-
Professional fees	380,075	662,268	171,500
Taxes and licenses	302,675	2,879,878	76,125
Supplies	294,072	-	-
Other expenses	141,151	164,854	96,435
	₱9,269,257	₱3,707,000	₱344,060

Salaries and other benefits pertain to salaries and mandatory government benefits to direct employees of the Club.

Professional fees pertain to incurred legal fees and audit.

Taxes and licenses pertain to payment of real property taxes and permits of the Club.

Supplies pertain to office supplies used for administrative purposes.

Other expenses mainly pertain to miscellaneous fees.

13. Financial Assets and Financial Liabilities

Fair Value Information

The carrying values of the Club's cash, accounts and other receivables and accounts and other payables approximate their fair values due to the short-term nature of transactions involving these financial instruments.

Fair Value Hierarchy

As of December 31, 2019 and 2018, the Club has no financial asset and liability carried at fair value.

Financial Risk Management Objectives and Policies

The Club's principal financial instruments are of the nature of loans and receivables and other financial liabilities. The main purpose of the Club's financial instruments is to fund operational and capital expenditures.

The main risk arising from the use of the financial instruments are credit risk and liquidity risk.



Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The investment of the Club's cash resources is managed so as to minimize risk while seeking to enhance yield. The Club's holding of cash in bank exposes the Club to credit risk of the counterparty if the counterparty is unwilling or unable to fulfill its obligations, and the Club consequently suffers financial loss. Credit risk management involves entering into financial instruments only with counterparties with acceptable credit standing.

Bank limits are established on the basis of liquidity, capital adequacy and financial stability. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations.

Trade receivable generally pertains to membership dues and club charges. The Club bills and collects from members on a monthly basis. It is the Club's policy to impose surcharge fees on members for any delinquency in payment. Once an account is tagged as delinquent, appropriate actions are taken by the Club such as prohibition of the use of Club's facilities and services. The Club assesses long-outstanding member's receivable account periodically as to future collectability. Club shares of members with long-outstanding balances are placed to public auction for bidding at the management's own terms and minimum pricing to ensure that outstanding balances are delinquent members are recovered.

The Club's maximum exposure to credit risk is equal to the carrying value of its financial assets. These financial assets are considered as high grade and are classified as neither past due nor impaired. The rating is based on the nature of the counterparty.

Liquidity risk

Liquidity risk is defined by the Club as the risk of losses arising from funding difficulties due to deterioration in market conditions and/or the financial position of the Club that make it difficult for the Club to raise the necessary funds or that forces the Club to raise funds at significantly higher interest rates than usual.

The Club manages liquidity risk by maintaining a balance between continuity of funding and flexibility. The Club maintains a level of cash deemed sufficient to finance its operations. As part of its liquidity risk management, the Club regularly evaluates its projected and actual cash flows.

As of December 31, 2019 and 2018, the Club's financial liabilities have a maturity of less than one year, except for those considered to be due and demandable.

14. Notes to Statements of Cash Flows

A reconciliation of the movement in the Club's financing activities for the year ended is presented below:

2019

	January 1, 2019	Cash flows	Non-cash changes	December 31, 2019
Due to Parent Company (Note 11)	₱302,209,950	(₱265,000,000)	₱2,021,821	₱39,231,771

2018

	January 1, 2018	Cash flows	Non-cash changes	December 31, 2018
Due to Parent Company (Note 11)	₱278,201,950	₱221,000,000	(₱196,992,000)	₱302,209,950



In 2018, the non-cash financing activity of the Club pertains to the conversion of advances from the Parent Company amounting to ₱196.99 million in exchange of 2,592 Class A shares (see Note 9).

15. Subsequent Events

Subsequent event - COVID - 19 outbreak

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until May 15, 2020, unless earlier lifted or extended. On May 16, 2020, the Inter-Agency Task Force (IATF) of Emerging Infectious Disease Resolution No. 35 place high-risk local government units (LGUs) (i.e. Metro Manila, Laguna, and Cebu City) under modified enhanced community quarantine (MECQ) from May 16 to May 31, 2020 while the rest of the country would be under general community quarantine. On June 1, 2020, the government placed the country under general community quarantine (GCQ). On June 15, 2020, the President has ordered an extension of GCQ for Metro Manila and twenty-four (24) other provinces from Luzon, Visayas and Mindanao until June 30, 2020. He then placed Cebu City back to ECQ starting June 16, 2020 while the rest of the country has been downgraded to modified general community quarantine (MGCQ). These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Club considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Club cannot determine at this time the impact to its financial position, performance and cash flows. The Club will continue to monitor the situation.

16. Supplementary Tax Information Under Revenue Regulations (RR) 15-2010

The Club reported and/or paid the following types of taxes for 2019:

Output VAT

The Club has output VAT declaration of ₱1.45 million for the year based on the amount reflected in the Revenue Account of ₱12.08 million.

Input VAT

The amount of VAT Input taxes claimed broken down into:

Beginning of the year	₱76,317,355
Current year's purchases:	
I. Goods for resale/manufacture or further processing	-
II. Goods other than for resale or manufacture	2,138,143
III. Capital goods subject to amortization	762,578
IV. Capital goods not subject to amortization	9,857
V. Services lodged under cost of goods sold	-
VI. Services lodged under other accounts	29,909,071
Claims for tax credit/refund and other adjustments	(1,913,529)
Balance at the end of the year	₱107,223,475



Withholding Taxes

Details of withholding taxes for the year follows:

	2019
Current year's purchases	P6,548,727
Withholding taxes on compensation	775,416

Taxes and Licenses

Amounts paid in 2019 are shown below:

Real property taxes	P266,245
Penalties on late filing	32,030
Permits and clearances	4,400
	<u>P302,675</u>

Documentary Stamp Tax (DST)

The Club has no transaction subject to DST during 2019.

Taxes on Importation

The Club has not made any importations during 2019.

Excise Tax

The Club has no transaction subject to excise tax.

Tax Cases

The Club does not have tax assessments which are either pending decision by the court or are being contested. In addition, the Club does not have any pending tax cases outside the administration of the BIR.

