ANNEX E

Interim Financial Statements

As of September 30, 2020

COVER SHEET

CS201412229

ALVIERA COUNTRY CLUB, INC.

(Company's Name)

Alviera Country Club, Brgy. Hacienda Dolores, Porac, Pampanga

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

Ma. Luisa D. Chiong	908-3852
Contact Person	Company Telephone Number

12 31 — Month Day — Fiscal Year

17-Q

Secondary License Type, If applicable

Month Day — Annual Meeting

CFD — Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowing

Total No. of Stockholders — Domestic — Foreign

To be accomplished by SEC Personnel concerned

File Number — LCU

Document I.D. — Cashier

STAMPS

Remarks: pls. Use black ink for scanning purposes

SEC Number: CS201412229
File Number: ____________

ALVIERA COUNTRY CLUB, INC.

(Company's Full Name)

Alviera Country Club, Brgy. Hacienda Dolores,
Porac, Pampanga

(Company Address)

(632) 908-3852

(Telephone Number)

September 30, 2020

(Quarter Ending)

SEC Form 17-Q Quarterly Report Amended

(Form Type)

(Amendments)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **30 September 2020**

2. Commission identification number: **CS201412229**

3. BIR Tax Identification No. **008-805-693**

4. Exact name of issuer as specified in its charter: **ALVIERA COUNTRY CLUB, INC.**

5. Province, country or other jurisdiction of incorporation or organization: **PORAC, PAMPANGA**

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of issuer's principal office: **Alviera Country Club, Brgy. Hacienda Dolores, Porac, Pampanga** Postal Code: **2008**

8. Issuer's telephone number, including area code **(632) 908-3852**

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

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Class A Shares, no par value	**3,700**
Class B Shares, no par value	**2,600**
Class C Shares, no par value	**300**
Class D Shares, no par value	**200**

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

Yes [ ] No [x]

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

____________________ ____________________

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and

(b) Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [x] No [ ]

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

Yes [x] No [ ]

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

ALVIERA COUNTRY CLUB, INC.

STATEMENTS OF FINACIAL POSITION
As of September 30, 2020 and December 31, 2019

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS		
Current Assets		
Cash (Note 4,11)	₱2,832,196	₱11,421,415
Accounts and other receivables (Note 5)	6,901,736	5,577,716
Inventories (Note 6)	439,113	2,022,623
Input value-added tax - current	107,407,447	107,234,807
Total Current Assets	117,580,492	126,256,561
Noncurrent Assets		
Property and Equipment (Note 7)	819,266,387	836,709,870
Advances to contractors	1,728,221	1,728,221
Input value-added tax - net of current portion	929,124	1,275,642
Other noncurrent assets	1,269,785	1,269,785
Total Noncurrent Assets	823,193,517	840,983,518
	₱940,774,009	₱967,240,079
LIABILITY AND EQUITY		
Current Liability		
Accrued and other payables (Note 8)	₱69,191,118	₱59,838,701
Income tax payable	131,972	–
	69,323,090	59,838,701
Noncurrent Liability		
Retention payable	9,747,389	10,057,889
Total Liabilities	79,070,479	69,896,590
Equity		
Capital Stock (Note 9)	956,745,130	956,745,130
Deficit	(95,041,600)	(59,401,641)
Total Equity	861,703,530	897,343,489
	₱940,774,009	₱967,240,079

See accompanying Notes to Financial Statements

ALVIERA COUNTRY CLUB, INC.

STATEMENTS OF COMPREHENSIVE INCOME
For the Nine-Month Periods ended September 30, 2020 and 2019

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
REVENUE (Note 12)		
Sale of goods	₱3,944,171	₱2,256,748
Membership dues	8,330,000	1,857,000
Service Income	478,583	426,150
Interest income	12,619	267,865
	12,765,373	4,807,763
EXPENSES (Note 12)		
Cost of sales and services	5,473,870	2,122,114
Direct operating expenses	29,737,361	11,239,914
General administrative expenses	13,045,999	5,393,265
	48,257,230	18,755,293
LOSS BEFORE INCOME TAX	35,491,857	13,947,530
PROVISION FOR INCOME TAX(Note 10)	148,102	53,573
NET LOSS	35,639,959	14,001,103
OTHER COMPREHENSIVE INCOME	–	–
TOTAL COMPREHENSIVE LOSS	₱35,639,959	₱14,001,103

EPS not yet applicable as the Club incurred net loss from its operation.
See accompanying Notes to Financial Statements.

ALVIERA COUNTRY CLUB, INC.

STATEMENTS OF CHANGES IN EQUITY
For the Nine-Month Periods ended September 30, 2020 and 2019

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
PAID-IN CAPITAL (Note 9)		
Common stock, no par value		
Class A - 3,700 shares	**₱296,055,755**	₱296,055,755
Class B - 2,600 shares	**546,620,750**	546,620,750
Class C - 300 shares	**63,071,625**	63,071,625
Class D - 200 shares	**50,997,000**	50,997,000
Balance at beginning and end of period	**956,745,130**	956,745,130
DEFICIT		
Balance at beginning of period	**(59,401,641)**	(16,285,621)
Net loss for the period	**(35,639,959)**	(14,001,103)
Balance at end of period	**(95,041,600)**	(30,286,724)
	₱861,703,530	₱926,458,406

See accompanying Notes to Financial Statements.

ALVIERA COUNTRY CLUB, INC.

STATEMENTS OF CASH FLOW
For the Nine-Month Periods ended September 30, 2020 and 2019

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱35,491,856)**	(₱13,947,530)
Adjustment for:		
Interest income (Note 4)	**(12,619)**	(267,865)
Depreciation (Note 7)	**17,443,483**	1,088,836
Loss before changes in working capital	**(18,060,992)**	(13,126,559)
Decrease (increase) in:		
Advances to contractors	–	4,007,631
Accounts and other receivables	**(1,324,020)**	(3,962,107)
Inventories	**1,583,510**	(2,914,668)
Other current assets	**(172,640)**	–
Increase (decrease) in accrued and other payables	**(2,647,584)**	(185,108,993)
Cash used in operations	**(20,621,726)**	(201,104,696)
Interest received	**12,619**	267,865
Income tax paid	**(16,130)**	(53,573)
Net cash flows used in operating activities	**(20,625,237)**	(200,890,404)
CASH FLOWS FROM INVESTING ACTIVITY		
Additions to property and equipment	–	(136,788,775)
Decrease (Increase) in input value added tax	**346,518**	(31,694,264)
Increase (Decrease) in retention payable	**(310,500)**	19,258,776
Net cash flows used in investing activities	**36,018**	(149,224,263)
CASH FLOWS FROM FINANCING ACTIVITY		
Advances (Payment of advances) from Parent Company (Note 11)	**12,000,000**	(272,768,482)
Collection of subscription receivable	–	470,064,847
	12,000,000	197,296,365
NET INCREASE (DECREASE) IN CASH	**(8,589,219)**	(152,818,302)
CASH AT BEGINNING OF PERIOD	**11,421,415**	158,047,363
CASH AT END OF PERIOD	**₱2,832,196**	₱5,229,061

See accompanying Notes to Financial Statements.

Alviera Country Club, Inc.

Notes to Financial Statements

1. Basis of Financial Statement Preparation

The unaudited condensed financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited financial statements do not include all of the information and disclosures required in the December 31, 2020 annual audited financial statements, and should be read in conjunction with the annual financial statements as of and for the year ended December 31, 2020.

The unaudited financial statements of the Club have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The unaudited condensed financial statements have been prepared on historical cost basis and are presented in Philippine Peso (₱), the Club's functional currency. All amounts are rounded off to the nearest peso unless otherwise indicated.

2. Accounting Policies

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial year except for the new PFRS, amended PFRS and improvements to PFRS which were adopted beginning January 1, 2020. Adoption of these pronouncements did not have a significant impact on Company's financial position or performance.

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material

Standards and Interpretations Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Club does not expect that the future adoption of the said pronouncements to have a significant impact on its financial statements. The Club intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2021
- PFRS 17, *Insurance Contracts*

Standards with Deferred Effectivity
- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Significant Accounting Policies
The significant accounting policies that have been used in the preparation of the financial statements are summarized below.

Current versus Noncurrent Classification
The Club presents assets and liabilities in the statement of financial position based on a current and noncurrent classification. An asset as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or,
- Cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Club.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Club uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Club determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Club has determined classes of assets on the basis of the nature, characteristics and risks of the asset and the level of the fair value hierarchy as explained above.

Cash in bank

Cash in bank is stated at face amount and earns interest at the prevailing deposit rate.

Financial Instruments

Date of recognition

The Club recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Club's business model for managing them. The Club initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Financial assets that do not contain a significant financing component or for which the Club has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Club's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

As of September 30, 2020 and December 31, 2019, the Club's financial assets pertain to financial assets at amortized cost (debt instruments).

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Club. The Club measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Club's financial assets at amortized cost includes "Cash in bank" and "Accounts and other receivables".

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the statements of financial position) when:

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

When the Club has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Club continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Club also recognized an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Club has retained.

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 Club could be required to repay.

Impairment of financial assets
The Club recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Club expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Club determines whether to apply the general approach or the simplified approach when calculating the provision for ECL. Under the general approach, at each reporting date, the Club recognizes a loss allowance based on either 12-month ECLs or Lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition. Under the simplified approach, the changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL.

For cash in bank, the Club applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Club's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Club uses the ratings from Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

For other financial assets such as accounts and other receivables, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Determining the stage for impairment
At each reporting date, the Club assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Club considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Club's financial liabilities include "Accounts and other payables" (other than "Payable to government" which is covered by other accounting standard).

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Club that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statements of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Club has not designated any financial liability as at fair value through profit or loss.

Other financial liabilities
After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statements of comprehensive income.

This category generally applies to "Accounts and other payables presented in statements of financial position.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in statements of comprehensive income.

Offsetting of financial instruments
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, to realize the assets and liabilities simultaneously.

<u>Inventories</u>
Inventories consist of food and beverage. Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined using weighted average method. NRV of food and beverage is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale. In determining NRV, the Club consider any adjustment necessary for spoilage, breakage and obsolescence.

<u>Input Value-Added Tax (VAT)</u>
Input VAT pertains to indirect tax paid by the Parent Company in the course of the Company's trade or business as purchase of goods and services. Output VAT pertains to the tax due on the sale of goods and services by the Parent Company.

If at the end of any reporting date, the output VAT exceeds the input VAT, the outstanding balance is included as part of "accrued and other payables" account. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding months and included as part of "input value-added tax" accounts.

<u>Property and Equipment</u>
Property and equipment, except land, are carried at cost less accumulated depreciation, amortization and any impairment losses. Land held for use in operations is carried at cost less any impairment losses.

The initial cost of property and equipment consists of its purchase price including import duties and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Cost also includes the cost of replacing part of such property and equipment when the recognition criteria are met.

Construction in progress (CIP) is carried at cost and consists of accumulated construction costs and any directly attributable costs of bringing the property to its working condition and location for its intended use.

Construction in progress is not depreciated until such time that the relevant assets are completed and available for operational use.

CIP is transferred to the related property and equipment account when the construction and related activities are complete. The cost is subsequently amortized over the estimated useful life of the property and equipment.

Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance are recognized in profit or loss in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the property and equipment. The estimated useful lives of the property and equipment are as follows:

Asset Type	Number of Years
Building	40
Facilities, furniture, fixtures and equipment	5
Transportation equipment	5

The Club determines depreciation and amortization for each significant part of an item of property and equipment.

The estimated useful lives and method of depreciation and amortization are reviewed and adjusted, if appropriate, at each financial year end to ensure that the years and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Fully depreciated property and equipment are retained in the books until these are no longer in use.

<u>Impairment of Nonfinancial Assets</u>
The Club assesses at each reporting date whether there is an indication that a nonfinancial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Club makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If such is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity

Capital stock

Capital stock is measured at stated value for all shares issued. When the Club issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

When the shares are sold at premium, the difference between the proceeds and the stated value is credited to "Additional paid-in capital" account. Direct costs incurred related to the issuance of new shares are chargeable to "Additional paid-in capital" account, net of related tax benefits.

Deficit

Deficit represents accumulated losses of the Club.

Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Club expects to be entitled in exchange for those goods or services.

Sale of goods are recognized when control of the goods is transferred to the customers, generally when goods are delivered to and accepted by the customers.

Membership dues recognized over the time the members are provided access to the Club's sports complex, game rooms, restaurants and other Club amenities. Transaction price is determined to be the BOD-approved rate for monthly membership dues. Each monthly membership dues are considered as a single performance obligation; therefore, it is not necessary to allocate the transaction price.

Service income includes guest fees and income from the use of the Club's facilities and amenities such as sports complex, game rooms and other Club amenities. Revenue is recognized over the time the services are rendered and/or facilities and amenities are used.

Interest income is recognized as it accrues, taking into account the effective yield of the asset.

Other income is recognized when incurred.

Expense Recognition
Costs and expenses are recognized as they are incurred and measured at the fair value of the consideration paid or payable.

Income Tax

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 enacted or substantively enacted as at the end of the reporting period.

Deferred tax
Deferred tax is provided using the liability method on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and unused NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Any 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 all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period 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 end of the reporting period. Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged against or credited to income for the period.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Provisions
Provisions are recognized when the Club has a present obligation (legal or constructive) 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. Where the Club expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

The Club has not contingent assets and liabilities as of September 30, 2020.

Events After the Reporting Period
Post year-end events up to the date when the financial statements are authorized for issue that provide additional information about the Club's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to financial statements when material.

There are no events after balance sheet date that require adjustment in the financial statements or its accompanying notes as of September 30, 2020.

3. Management's Significant Accounting Estimates and Assumptions

The preparation of the financial statements in compliance with PFRS requires the Club to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The judgments, estimates and assumptions used are based on management's evaluation of relevant facts and circumstances as of the date of the financial statements. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments
In the process of applying the Club's accounting policies, management has made the judgment below, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements.

For the Club's receivables from related parties, evaluation includes the review of the credit risk of the borrower through a review of qualitative and quantitative information. Factors being considered includes significant changes in the business, financial and economic conditions, regulatory and economic environment to which the borrower operates, among others.

No expected credit loss was recognized in 2020 and 2019. See Note 5 for the related balances.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Estimating NRV of inventories
Inventories are presented at the lower of cost or NRV. Estimation of NRV is based on the most reliable evidence available at the time the estimates are made of the amount the inventories are expected to be realized. A review of the items of inventories is performed at the end of each reporting period to reflect the accurate valuation of inventories in the financial statements.

The carrying values of inventories amounted to ₱0.44 million and ₱2.02 million as at September 30, 2020 and December 31, 2019, respectively. No provision, allowance and write-off for inventory obsolescence was recognized in 2020 and 2019 (see Note 6).

Estimating useful lives of property and equipment
The Club estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The carrying value of property and equipment amounted to ₱819.27 million and ₱ 836.71 million as of September 30, 2020 and December 31, 2019, respectively (see Note 7).

Recognizing deferred tax assets
The Club reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Club will generate sufficient taxable income to allow all or part of the deferred tax assets to be utilized. The Club looks at its projected performance in assessing the sufficiency of future taxable income. The Club's unrecognized deferred tax assets amounted to ₱23.31 million and ₱14.82 million as of September 30, 2020 and December 31, 2019, respectively.

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

4. Cash

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Cash in Bank	**₱2,782,196**	₱11,371,415
Petty Cash Fund	**50,000**	50,000
Balance at end of year	**₱2,832,196**	₱11,421,415

Cash in bank refers to savings account maintained by the Club with a local bank. Interest income earned and corresponding final tax during the third quarter of 2020 amounted to ₱12,619 and ₱2,524, respectively.

5. Accounts and Other Receivables

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Trade receivables	**₱3,700,959**	₱2,654,729
Due from related parties (Note 11)	**2,810,487**	2,810,487
Receivable from employees	**390,290**	112,500
Balance at end of year	**₱6,901,736**	₱5,577,716

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

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

Receivable from employees represent advances for travel and other expenses arising in the ordinary course of business. These are noninterest-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 September 30, 2020 and December 31, 2019, inventories amounted to ₱0.44 million and ₱2.02 respectively. Inventories are stated at cost, which is lower than their net realizable value.

Food and beverages charged to costs of operations amounted to ₱5.47 million as of September 30, 2020 (see Note 12).

7. Property and Equipment

Movements in this account are as follows:

	Land (Note 11)	Building	Facilities, Furniture, Fixtures and Equipment	Transportation Equipment	Total
Cost					
Balance at beginning of period	₱14,429,178	₱816,289,920	₱12,632,012	₱3,802,541	₱847,153,651
Additions	–	–	–	–	–
Balance at end of period	₱14,429,178	₱816,289,920	₱12,632,012	₱3,802,541	₱847,153,651
Accumulated Depreciation					
Balance at beginning of period	₱–	₱8,503,020	₱1,370,380	₱570,381	₱10,443,781
Depreciation	–	15,305,436	1,631,042	507,005	17,443,483
Balance at end of period	₱–	₱23,808,456	₱3,001,422	₱1,077,386	₱27,887,264
Net Book Value	₱14,429,178	₱792,481,464	₱9,630,590	₱2,725,155	₱819,266,387

8. Accrued and Other Payables

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Due to related parties (Note 11)	**₱57,022,565**	₱40,296,786
Unearned income	**2,523,914**	3,383,621
Accounts Payable	**8,198,263**	10,361,341
Payable to government agency	**816,107**	149,664
Accrued payable	**630,269**	5,647,289
	₱69,191,118	₱59,838,701

Due to related parties largely pertains to advances received from NCI amounting to ₱54.70 million and ₱39.23 million as of September 30, 2020 and December 31, 2019, respectively. It also pertains to the advances made by ALI to the Club amounting to ₱1.07 million and ₱0.88 million as of September 30, 2020 and December 31, 2019, respectively. (Note 11).

Trade payable to other related parties amounting to a total of ₱1.25 million was also incurred as of September 30, 2020.

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.

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

Accounts payable pertain to purchase of goods and services. These are noninterest-bearing and are settled within one year.

Payable to government agency pertains to withholding taxes payable to Bureau of Internal Revenue 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 September 30, 2020 follow:

	Authorized	Issued
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 shares
Class B 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 shares shall not enjoy preemptive rights to (a) subscribe to any or all original issuance of Class A shares, Class C shares, and Class D 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.
Class D shares
Class D shares shall be held by an individual, corporation, partnership or association, irrespective of nationality or citizenship. Each Class D 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 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.

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, Parent Company, 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 to ₱0.66 million.

The Parent Company is authorized to offer the club shares to the public by way of secondary offering. As of September 30, 2020 and December 31, 2019, the Parent Company sold 6.81% and 6.51%% 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 September 30, 2020, NCI already paid in full the total subscription price.

Capital Management

Cash is maintained at a level that will enable it 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 periods ended September 30, 2020 and 2019.

The Club's primary source of capital is its capital stock amounting to ₱956.75 million as of September 30, 2020 and December 31, 2019.

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

10. Income Tax

The provision for income tax consists of:

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
Current	**₱145,578**	₱–
Final	**2,524**	53,573
Provision for income tax	**₱148,102**	₱53,573

The current provision for income tax in September 30, 2020 pertains to MCIT.

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

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
Benefit from income tax computed at statutory income tax rate	**(₱10,647,557)**	(₱4,184,259)
Tax effects of:		
Movement in unrecognized deferred tax asset	**10,796,921**	4,264,618
Interest income already subjected to final tax	**(1,262)**	(26,786)
Provision for income tax	**₱148,102**	₱53,573

The components of unrecognized deferred tax assets follow:

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
NOLCO	**₱77,478,590**	₱14,215,395
MCIT	**213,061**	–
	₱77,691,651	₱14,215,395

The details of the Club's NOLCO follows:

Year Incurred	Amount	Used	Expired	Balance	Expiry Year
September 2020	₱35,504,476	₱–	₱–	₱35,504,476	2023
2019	38,159,095	–	–	38,159,095	2022
2018	3,815,019	–	–	3,815,019	2021
2017	555,723	–	(555,723)	–	2020
	₱78,034,313	₱–	(₱555,723)	₱77,478,590	

The details of the Club's MCIT follows:

Year Incurred	Amount	Used	Expired	Balance	Expiry Year
September 2020	₱145,578	₱–	₱–	₱145,578	2023
2019	67,483	–	–	67,483	2022
	₱213,061	₱–	₱–	₱213,061	

11. Related Party Transaction

The Club in its regular conduct of business has entered into transactions with related parties. 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. 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.

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 and demandable, noninterest-bearing and are generally unsecured. 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:

		Volume of transactions		Outstanding balance			
Related Party	Nature	September 2020	2019	September 2020	2019	Terms	Conditions
NCI	Due from related parties	**₱–**	₱1,000,869	**₱2,068,707**	₱2,068,707	Due and demandable Noninterest bearing	Unsecured
	Due to related parties	**15,470,194**	(262,978,180)	**54,701,965**	39,231,771	Due and demandable Noninterest bearing	Unsecured
ALI	Due from related parties	**–**	724,086	**741,780**	741,780	Due and demandable Noninterest bearing	Unsecured
	Due to related parties	**188,352**	601,662	**1,072,228**	883,876	Due and demandable Noninterest bearing	Unsecured
Ayala Property Management Corp. (APMC)	Due to related parties	**–**	12,400	**12,400**	12,400	Due and demandable Noninterest bearing	Unsecured
Manila Water Ventures Philippines Ventures Inc.	Due to related parties	**1,072,271**	141,641	**1,213,912**	141,641	Due and demandable Noninterest bearing	Unsecured
Globe Telecom Inc.	Due to related parties	**–**	27,098	**22,060**	27,098	Due and demandable Noninterest bearing	Unsecured

The following describes the nature of the material transactions of the Club with related parties as of September 30, 2020 and December 31, 2019:

a. The Club, in the normal course of business, acquired 5.62 hectares of land in Porac, Pampanga in 2014 from its related party, NCI, for the future construction site of the Club's premises. The Club recognized the property as "Land" at its purchase price plus directly attributable taxes amounting to ₱14.42 million.

   Creditable withholding tax amounting ₱1.08 million was remitted by the Club in relation to the purchase of land from NCI. The said amount of tax was not withheld from NCI upon payment for the land and is recognized as receivable as of September 30, 2020 and December 31, 2019.

   Other receivables from the Parent Company amounting to ₱0.99 million pertain to food and beverage consumption and facilities usage of NCI.

b. In various dates, NCI made advances amounting to ₱54.70 million and ₱39.23 million as of September 30, 2020 and December 31, 2019, respectively, to the Club for the payment of operation and development costs.

c. The outstanding balance due to ALI as of September 30, 2020 and December 31, 2019 pertains to advances made to the Club amounting to ₱1.11 million and ₱0.88 million, respectively.

d. Receivable from ALI pertains to its consumption and usage of the Club's facilities with charges amounting to ₱0.74 million as of September 30, 2020 and December 31, 2019.

e. The outstanding balance due to APMC as of September 30, 2020 pertains to parking fees charged to the Club amounting to ₱0.01 million.

f. As of September 30, 2020 and December 31, 2019, the Club maintains its cash in bank account with Bank of the Philippine Islands, a related party, amounting to ₱2.83 million and ₱11.26 million, respectively.

g. Outstanding balance to Manila Water Philippine Ventures Inc. amounting to ₱1.21 million and ₱0.14 million as of September 30, 2020 and December 31, 2019, respectively, pertains to water expense incurred by the Club.

h. Outstanding balance to Globe Telecom Inc. amounting to ₱0.02 million and ₱0.03 million as of September 30, 2020 and December 31, 2019, respectively, pertains to communication expense incurred by the Club.

i. The key management personnel of the Club are its BOD. In 2020 and 2019, no compensation has been granted by the Club to them.

12. Revenue, Cost and Expenses

Disaggregated Revenue Information

The table shows the disaggregation of revenues of the Club by major sources for the period ended September 30, 2020:

Sale of goods	₱3,944,171
Membership dues	8,330,000
Service income:	
Guest fees	304,965
Sports complex revenue	140,540
Spa	33,078
	₱12,752,754

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 for the period ended September 30, 2020 amounted to ₱5.47 million.

Direct operating expenses consist of:

	September 30, 2020 (unaudited)	September 30, 2019 (unaudited)
Depreciation (Note 7)	**₱17,443,483**	₱1,088,836
Contracted services	**3,089,999**	3,564,135
Utilities	**5,554,595**	3,121,917
Supplies	**1,185,920**	1,120,220
Transportation and travel	**562,033**	380,010
Repairs and maintenance	**914,977**	220,003
Communication	**305,536**	–
Marketing	**108,071**	–
Representation	**94,771**	1,636,841
Others	**477,976**	107,952
	₱29,737,361	₱11,239,914

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 property and equipment 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:

	September 30, 2020 (unaudited)	September 30, 2019 (unaudited)
Salaries and other benefits	**₱12,650,678**	₱5,107,139
Professional fees	**204,200**	30,000
Taxes and licenses	**189,971**	116,250
Other expenses	**1,150**	139,876
	₱13,045,999	₱5,393,265

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.

Other expenses mainly pertain to miscellaneous fees.

13. Financial Assets and Financial Liabilities

Fair Value Information
The carrying values of the Club's cash, receivable from a related party, and accrued and other payables approximate their fair values due to the short-term nature of transactions involving these financial instruments.

As of September 30, 2020 and 2019, 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.

The Club's maximum exposure to credit risk as of September 30, 2020 is equal to the carrying value of its financial assets. These financial assets are neither past due nor impaired and are graded as high.

Cash - graded based on the nature of the counterparty.

Receivables – high grade pertains to receivables with no default in payment. The Club transacts only with related parties and recognized creditworthy third parties. Receivable balances are monitored on an on-going basis bringing the Club's exposure to bad debts to a minimum level. The maximum exposure to credit risk from these financial assets arise from the default of the counterparty with a maximum exposure equal to their carrying amounts.

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 September 30, 2020 and 2019, the Club's financial assets and financial liabilities have a maturity of less than one year.

14. 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 September 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 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.

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

Review of Q3 2020 vs Q3 2019

The Club incurred a net loss after tax of ₱35.64 million in the third quarter of 2020, with a 155% increase from ₱14.00 million net loss during the third quarter of 2019. The significant increase is mainly driven by the longer period comparison in 2020 against the six-month period of the Club's commercial operations in 2019.

As of September 30, 2020, the Club's accounts and other payables are due within one year.

Business segment

The Club will serve its members through its amenities. Food and Banquet, memberships and other amenities related to leisure are being offered. The Club commenced its commercial operations on March 28, 2019.

Expenses

Total expenses amounted to ₱48.26 million during the third quarter of 2020, 157% higher than the ₱18.76 million posted in the same period last year.

Project and Capital Expenditure

The Club spent a total of ₱816.29 million for project and capital expenditures of the Club since inception. All of the capital expenditures were spent on construction and fit-out of the Country Club.

Financial Condition

Cash stood at ₱2.83 million, resulting to a Current Ratio of 1.70:1. Since the Club is on its start-up year of operations, funds were sourced from revenue generating activities and advances from NCI to support the Club's operating requirements. As of September 30, 2020, advances provided by the Parent Company amounted to ₱54.70 million.

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 September 30, 2020 and December 31, 2019, the Club's financial liabilities have a maturity of less than one year, except for those considered to be due and demandable.

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.

Causes of any material changes (+/- 5% or more) in the financial statements

<u>Income Statement items</u> – September 30, 2020 versus September 30, 2019

166% increase in Revenues and 158% increase in cost of sales and services
Material changes in the income statement is mainly attributable to the longer covered period for 2020 (9 months) against the six-month period of commercial operations in 2019. Other causes of the material movements are as follows:

- *349% increase in revenues from membership fees*
  Other than the longer period covered, the increase is directly attributable to the increase in activated members at 410 members as of September 2020 from 277 members in 2019.
- *75% increase is revenues from sale of goods and services*
  With the longer period covered, the Club's restaurants and café were able to service 16,256 seat covers in 2020 with a 462% increase against 2,891 seat covers from 2019. This increase was offset by the decrease in average price charged per seat cover due to the change in the Club's sales mix after the quarantine period (closing of Galo Sports Bar and introduction meal delivery).
- *158% increase in cost of sales and services*
  In compliance with Presidential Proclamation No. 929, the Club ceased its operations for approximately 4 months from March 16, 2020 to July 7, 2020. With this, spoilage of perishable inventories of the Club materially increased by 1981% in comparison with 2019.

<u>165% increase in Direct Operating Expenses</u>
Main drivers of the increase in Direct Operating Expenses are as follows:

1502% increase in Depreciation
Material depreciation expense presented under Direct Operating Expenses pertains to the building's depreciation. Building was officially transferred last July 1, 2019, depreciating the asset for only three months in 2019.

94% decrease in Representation
Representation expenses were heavily incurred in 2019 to boost the public's awareness of the Club's newly commenced operations. Most representation expenses are for complimentary food and beverages, amenity visit, and material distribution to prospected members.

13% decrease in Contracted Services
Temporary closing of the Club for four months caused the reduction in manpower support from contracted agencies. The Club only retained skeletal workforce during the four-month period lockdown to maintain its amenities.

Other material increases in Direct Operating Expenses
Other material movements for the third quarter of 2020 include 78% increase in utilities, 6% increase in supplies, 48% increase in transportation, 316% increase in repairs in maintenance, 100% increase in marketing expenses and communication, and 343% increase in other expenses. These expenditures are directly attributable to the full nine-month operations of the Club in 2020 in comparison with the three-month soft-opening operations and full three-month operations in 2019.

142% increase in General and Administrative Expenses
148% increase in Salaries and Employee Benefits
Prior to the commencement of commercial operations, general and administrative functions were provided by NCI at no cost to the Club. The Club only employed its own manpower on March 2019. This resulted to the material increase in salaries and employee benefits in 2020 in which full manpower complement was in place for the full nine-month period.

63% increase in Taxes and Licenses
Increase in taxes and licenses in 2020 refers to the real property tax paid by the Club during the period.

99% decrease in Other Expenses
Other expenses in 2019 pertain to one-off legal fees paid to the Club's legal counsel for transactions with the Commission in which they represented the Club.

Other material increases in General and Administrative Expenses
Other material movements for the third quarter of 2020 include 581% increase in professional fees. These expenditures are directly attributable to the full nine-month operations of the Club in 2020 in comparison with the three-month soft-opening operations in 2019.

176% decrease in Provision for Income Tax
Increase in provision for income tax is directly attributable to the increase in the provisioning for MCIT for taxable gross income of the Club during the third quarter of 2020.

Balance Sheet items – September 30, 2020 versus December 31, 2019

75% decrease in Cash
Significant cash disbursements were made during the quarter for operating activities. Kindly refer to the Statements of Cash Flow for details.

24% increase in Accounts and Other Receivables
Increase in accounts and other receivables pertains to generated sales on account for the period. These are collectible and billed to members within one month from consumption and usage.

78% decrease in Inventories
Given the impact of the four-month temporary closing of the Club and uncertainty in future community quarantine protocols, operations maintained inventory at optimal levels in order to avoid significant spoilage.

27% decrease in Noncurrent Input Value Added Tax (VAT)
Decrease for the period pertains to the amortization of deferred input VAT for capital goods.

16% increase in Accounts and Other Payables
Additional advances received from the Parent Company amounting to ₱15.51 million during the nine-month period ended September 30, 2020 contributed to the material increase in Accounts and Other Payables.

PART II – OTHER INFORMATION

Item 3. Q3 2020 Developments

A.	**New project or investments in another line of business or corporation**	None
B.	**Composition of Board of Directors (as of September 30, 2020)**	Leonardo L. Leonio – Chairman Bernard Vincent O. Dy – Vice-Chairman Anna Ma. Margarita B. Dy – President Clarissa Teresita L. Asuncion – Treasurer Arturo G. Corpuz – Director Augusto D. Bengzon – Director Gilbert Enrique M. Berba – Director Lawrence Conrad N. Leonio – Director Carlo Leonardo N. Leonio – Director Oscar S. Reyes – Director Jose P. De Jesus – Director
C.	**Performance of the corporation or result/progress of operations**	Please see unaudited financial statements and management's discussion on results of operation
D.	**Declaration of dividends**	There will be no declaration of dividends since the primary purpose of the Club is to construct, maintain, and carry on the business of a sports and leisure club and its facilities for the amusement, entertainment, recreational and athletic activities, on a non-profit basis.
E.	**Contracts of merger, consolidation or joint venture; contract of management, licensing, marketing, distributorship, technical assistance or similar agreements**	None
F.	**Offering rights, granting of Stock Options and corresponding plans therefore**	None
G.	**Segment revenue and segment results**	None

H.	**Acquisition of additional mining claims or other capital assets or patents, formula, real estate**	None
I.	**Other information, material events or happenings that may have affected or may affect market price of security**	None
J.	**Transferring of assets, except in normal course of business**	None

Item 4. Other Notes to Q3 2020 Operations and Financials

K.	**Nature and amount of items affecting assets, liabilities, equity, or net income that are unusual because of their nature, size, or incidents**	None
L.	**Nature and amount of changes in estimates of amounts reported in prior periods and their material effect in the current period**	None
M.	**New financing through loans / Issuances, repurchases, and repayments of debt and equity securities**	None
N.	**Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period**	None
O.	**The effect of changes in the composition of the issuer during the interim period including business combinations, acquisitions or disposal of subsidiaries and long-term investments, restructuring, and discontinuing operations**	None

P.	**Changes in contingent liabilities or contingent assets since the last annual balance sheet date**	None
Q.	**Other material events or transactions during the interim period**	Temporary closing of the Club in compliance with the community quarantine guidelines
R.	**Existence of material contingencies during the interim period; events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation**	None
S.	**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**	None
T.	**Material commitments for capital expenditures, general purpose and expected sources of funds**	None
U.	**Known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales/revenues/income from continuing operations**	None
V.	**Significant elements of income or loss that did not arise from continuing operations**	None
W.	**Causes of any material change/s from period to period in one or more line items of the financial statements**	Please see Notes to Financial Statements

X. **Seasonal aspects that had material effect on the financial condition or results of operations**

The Club does not show any seasonality.

Y. **Disclosure not made under SEC Form 17-C**

None

Item 5. Performance Indicators

The table below sets forth the comparative performance indicators of the Club:

	September 30, 2020	December 31, 2019
Liquidity ratio		
Current ratio	**1.70:1**	2.11:1
Solvency ratio		
Debt to equity ratio	**0.09:1**	0.08:1
Financial leverage ratio		
Asset to equity ratio	**1.09:1**	1.08:1
Profitability ratios		
Return on assets	**(3.79%)**	(4.46%)
Return on equity	**(4.14%)**	(4.80%)

Ratio for Interest Coverage is not applicable to the Club since it has no outstanding debt and interest expense as of September 30, 2020.

SIGNATURE

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

Issuer: **ALVIERA COUNTRY CLUB, INC.**

By:

Ma. Luisa D. Chiong
Authorized Signatory
Comptroller and Chief Finance Officer
Date: October 29, 2020

ALVIERA COUNTRY CLUB, INC.

FINANCIAL SOUNDNESS INDICATORS

AS AT AND FOR THE PERIOD ENDED SEPTEMBER 30, 2020

	September 30, 2020	December 31, 2019
Liquidity ratio		
Current ratio	**1.70:1**	2.11:1
Solvency ratio		
Debt to equity ratio	**0.09:1**	0.08:1
Financial leverage ratio		
Asset to equity ratio	**1.09:1**	1.08:1
Profitability ratios		
Return on assets	**(3.79%)**	(4.46%)
Return on equity	**(4.14%)**	(4.80%)