COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	2	0	2							

Company Name

CEBU COUNTRY CLUB, INC.

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

GOV. M. CUENCO AVENUE,
BARANGAY KASAMBAGAN, CEBU
CITY, PHILIPPINES

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
rgpalis@cebucountryclub.com	(032) 231-0345	0945-277-3165

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
N/A	1st Friday of May	December/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Julius G. Neri, Jr.	j.nerilawfirm@gmail.com	(032) 231-0345	0917-326-2626

Contact Person's Address

No. 56 Oriole Sr., Sto Nino Village, Banilad, Cebu City

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

CEBU COUNTRY CLUB, INC.
P.O. Box 698, Banilad, Cebu City 6000, Philippines
Tel. (32) 231-0345 Fax (32) 231-4096

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Cebu Country Club, Inc.** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2021, 2020 and 2019, in accordance with the Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Club's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Club or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees is responsible for overseeing the Club's financial reporting process.

The Board of Trustees reviews and approves the financial statements, including the schedules attached therein, and submits the same to the members.

Diaz Murillo Dalupan and Company, the independent auditor appointed by the members for the periods December 31, 2021, 2020 and 2019, has audited the financial statements of the Club in accordance with Philippine Standards on Auditing, and in its report to the members, has expressed its opinion on the fairness of presentation upon completion of such audit.

JOSE R. SOBERANO III
Chairman of the Board

JOSE R. SOBERANO III
President

ANTONIO R. MORAZA
Treasurer

April 25, 2022

Before me a notary public in and for the city named below, personally appeared:

NAME	COMMUNITY TAX CERTIFICATE NO.	PLACE AND DATE OF ISSUE
JOSE R. SOBERANO III	SSS# 06-1724891-2	
ANTONIO R. MORAZA	SSS# 111-9520380-5	

Cebu Country Club, Inc., officials who are personally known to me/who were identified by me through competent evidence of identity to be the same people who presented the above foregoing instrument hereto annexed and signed the instrument in my presence, and who took an oath/affirmation before me as to such instrument.

SUBSCRIBED AND SWORN to me this MAY 02 2022 day of ________, 2022 in the CEBU CITY, Philippines.

Doc. No. 407
Page No. 81
Book No. 15
Series of 2022

ATTY. ORANCIO T. GERVACIO
Notary Public
For Cebu City
Notarial Commission No. 045-2
Valid until Dec. 31, 2022
Roll of Attorney No. 30022
I.B.P. O.R. No. AR0558775 10/21

Independent Auditors' Report

To the Board of Trustees and Members of
CEBU COUNTRY CLUB, INC.
(A Non-stock, Non-profit Corporation)
Gov. Cuenco Avenue, Barangay Kasambagan
Cebu City, Philippines

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of **Cebu Country Club, Inc.** (the "Club"), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of comprehensive income, statements of changes in members' equity and statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Club as at December 31, 2021 and 2020, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audits of the Financial Statements* section of our report. We are independent of the Club in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Club's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Club or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Club's financial reporting process.

Auditors' Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Club's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Club's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Club to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Report on Supplementary Information required by the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 28 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of **Cebu Country Club, Inc.** The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DIAZ MURILLO DALUPAN AND COMPANY
Tax Identification No. 003-294-822
BOA/PRC No. 0234, effective until August 4, 2023
SEC Accreditation No. 0234-SEC, Group A, issued on March 17, 2022 and
valid in the audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001911-000-2022, effective until March 14, 2025

By:

Lloyd T. Tan
Partner
CPA Certificate No. 117307
SEC Accreditation No. 117307-SEC, Group A, issued on November 25, 2021 and
valid in the audit of 2021 financial statements of SEC covered institutions
Tax Identification No. 246-442-524
PTR No. 2816215, January 5, 2022, Cebu City
BIR Accreditation No. 13-531012-002-2021, effective until October 27, 2024

April 25, 2022

CEBU COUNTRY CLUB, INC.
(A Non-stock, Non-profit Corporation)
Statements of Financial Position

	As at December 31	
	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents - note 4	**₱54,784,737**	₱44,489,160
Trade and other receivables - note 5	**14,488,673**	15,752,346
Inventories - note 6	**9,652,496**	8,133,142
Prepayments - note 7	**3,473,810**	2,940,729
	82,399,716	71,315,377
Noncurrent assets		
Property and equipment (net) - note 8	**300,731,263**	301,894,502
Trust fund investments - note 9	**13,887,565**	12,344,529
Long-term investment - note 10	**14,814,450**	14,814,450
Intangible asset (net) - note 11	**988,417**	1,442,751
Deferred tax assets - note 22	**7,036,174**	8,231,772
Other noncurrent assets - note 12	**105,520**	301,124
	337,563,389	339,029,128
TOTAL ASSETS	**₱419,963,105**	₱410,344,505
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities		
Trade and other payables - note 13	**₱36,714,871**	₱36,795,984
Contract liability (current) - note 16	**8,204,659**	6,479,419
	44,919,530	43,275,403
Noncurrent liabilities		
Members' cash and option deposits - note 14	**22,175,670**	20,674,640
Retirement benefits liability - note 15	**10,966,698**	9,156,763
Contract liability (net of current portion) - note 16	**31,078,610**	23,865,983
	64,220,978	53,697,386
	109,140,508	96,972,789
Members' equity		
Proprietary membership certificates - note 17	**2,400,000**	2,400,000
Additional contributions - note 17	**108,345,528**	108,345,528
Remeasurement loss on retirement benefits (net of tax) - note 15	**(7,161,705)**	(6,138,139)
Fair value gain on trust fund investments (net of tax)	**4,312,410**	3,020,974
Cumulative excess of revenues over expenses		
Restricted - note 9	**6,449,730**	6,198,130
Unrestricted	**196,476,634**	199,545,223
	310,822,597	313,371,716
TOTAL LIABILITIES AND MEMBERS' EQUITY	**₱419,963,105**	₱410,344,505

(The accompanying notes are an integral part of these financial statements)

CEBU COUNTRY CLUB, INC.
(A Non-stock, Non-profit Corporation)
Statements of Comprehensive Income

	For the Years Ended December 31		
	2021	2020	2019
REVENUES			
Membership dues - note 18	**₱50,262,538**	₱49,526,740	₱44,058,377
Club operations:			
Food and beverages - note 18	**22,414,924**	17,533,563	46,680,242
Golf and other sports operations - note 18	**14,751,277**	15,710,358	55,176,029
Other income - note 19	**1,295,148**	1,863,807	5,822,407
	88,723,887	84,634,468	151,737,055
COST OF SERVICES AND SALES - note 20	**(46,681,711)**	(49,152,239)	(94,674,343)
GROSS PROFIT	**42,042,176**	35,482,229	57,062,712
TRUST FUND EARNINGS - note 9	**251,600**	267,142	399,717
ADMINISTRATIVE EXPENSES - note 21	**(32,296,146)**	(29,670,238)	(35,207,460)
INCOME BEFORE DEPRECIATION AND AMORTIZATION	**9,997,630**	6,079,133	22,254,969
DEPRECIATION AND AMORTIZATION - notes 8 and 11	**(11,821,568)**	(12,199,412)	(13,451,582)
INCOME (LOSS) BEFORE TAX	**(1,823,938)**	(6,120,279)	8,803,387
INCOME TAX BENEFIT (EXPENSE) - note 22			
Current	**-**	-	(1,392,841)
Deferred	**(993,051)**	2,187,404	(925,133)
	(993,051)	2,187,404	(2,317,974)
NET INCOME (LOSS) FOR THE YEAR	**(2,816,989)**	(3,932,875)	6,485,413
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement gain (loss) on retirement benefits (net of tax) - note 15	**(1,023,566)**	(1,393,209)	330,116
Fair value gain (loss) on trust fund investments - note 9	**1,291,436**	(212,500)	505,660
	267,870	(1,605,709)	835,776
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**(₱2,549,119)**	(₱5,538,584)	₱7,321,189

(The accompanying notes are integral part of these financial statements)

CEBU COUNTRY CLUB, INC.
(A Non-stock, Non-profit Corporation)
Statements of Changes in Members' Equity
For the Years Ended December 31, 2021, 2020 and 2019

	Proprietary membership certificates (note 17)	**Additional contributions** (note 17)	**Remeasurement gain (loss) on retirement benefits** (net of tax) (note 15)	**Fair value gain on trust fund investments** (note 9)	**Cumulative excess of revenues over expenses**		**Total**
					Restricted (note 9)	**Unrestricted**	
BALANCE AT JANUARY 1, 2019	**₱2,400,000**	**₱108,345,528**	**(₱5,075,046)**	**₱2,727,814**	**₱5,531,271**	**₱197,659,544**	**₱311,589,111**
Total comprehensive income							
Net income for the year	-	-	-	-	-	6,485,413	**6,485,413**
Other comprehensive income for the year	-	-	330,116	505,660		-	**835,776**
	-	-	330,116	505,660	-	6,485,413	**7,321,189**
Others							
Transfer to restricted fund	-	-	-	-	399,717	(399,717)	**-**
BALANCE AT DECEMBER 31, 2019	**2,400,000**	**108,345,528**	**(4,744,930)**	**3,233,474**	**5,930,988**	**203,745,240**	**318,910,300**
Total comprehensive loss							
Net loss for the year	-	-	-		-	(3,932,875)	**(3,932,875)**
Other comprehensive loss for the year	-	-	(1,393,209)	(212,500)		-	**(1,605,709)**
	-	-	(1,393,209)	(212,500)	-	(3,932,875)	**(5,538,584)**
Others							
Transfer to restricted fund	-	-	-		267,142	(267,142)	**-**
BALANCE AS AT DECEMBER 31, 2020	**2,400,000**	**108,345,528**	**(6,138,139)**	**3,020,974**	**6,198,130**	**199,545,223**	**313,371,716**
Total comprehensive loss							
Net loss for the year	-	-	-		-	(2,816,989)	**(2,816,989)**
Other comprehensive income (loss) for the yeaı	-	-	(1,023,566)	1,291,436	-	-	**267,870**
	-	-	(1,023,566)	1,291,436	-	(2,816,989)	**(2,549,119)**
Others							
Transfer to restricted fund	-	-	-		251,600	(251,600)	**-**
BALANCE AT DECEMBER 31, 2021	**₱2,400,000**	**₱108,345,528**	**(₱7,161,705)**	**₱4,312,410**	**₱6,449,730**	**₱196,476,634**	**₱310,822,597**

(The accompanying notes are an integral part of these financial statements)

CEBU COUNTRY CLUB, INC.
(A Non-stock, Non-profit Corporation)
Statements of Cash Flows

	For the Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before tax	**(₱1,823,938)**	(₱6,120,279)	₱8,803,387
Adjustments for:			
Depreciation and amortization - notes 8 and 11	**11,821,568**	12,199,412	13,451,582
Retirement benefits - note 21	**2,379,764**	2,258,873	2,420,233
Project development cost - note 20	**-**	-	2,284,086
Trust fund earnings - note 9	**(251,600)**	(267,142)	(399,717)
Interest income - note 19	**(658,416)**	(754,637)	(1,068,078)
Operating income before working capital changes	**11,467,378**	7,316,227	25,491,493
Changes in operating assets and liability:			
Decrease (increase) in assets:			
Trade and other receivables	**1,263,673**	(291,061)	(1,822,596)
Inventories	**(1,519,354)**	(2,769,608)	(1,403,939)
Prepayments	**(246,229)**	(2,160,573)	(369,853)
Other noncurrent assets	**195,604**	231,169	176,564
Increase (decrease) in liabilities			
Trade and other payables	**(81,113)**	(6,384,928)	3,380,349
Contract liabilities	**8,937,867**	4,525,117	7,293,100
Cash generated from operations	**20,017,826**	466,343	32,745,118
Interest received - note 19	**658,416**	754,637	1,068,078
Contributions to retirement plan - note 15	**(1,350,000)**	(1,050,000)	(3,800,000)
Income taxes paid	**(327,700)**	(593,577)	(1,283,028)
Net cash provided by (used in) operating activities	**18,998,542**	(422,597)	28,730,168
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment - note 8	**(9,198,503)**	(14,423,377)	(17,555,450)
Additions to intangible assets - note 11	**(1,005,492)**	(2,441,029)	(101,106)
Net cash used in investing activities	**(10,203,995)**	(16,864,406)	(17,656,556)
CASH FLOW FROM A FINANCING ACTIVITY			
Receipts from (refunds of) members' cash and option deposits	**1,501,030**	(3,396,860)	980,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**10,295,577**	(20,683,863)	12,053,612
CASH AND CASH EQUIVALENTS			
Balance at beginning of year	**44,489,160**	65,173,023	53,119,411
Balance at end of year	**₱54,784,737**	₱44,489,160	₱65,173,023

(The accompanying notes are integral part of these financial statements)

CEBU COUNTRY CLUB, INC.
(A Non-stock, Non-profit Corporation)
Notes to Financial Statements
As at and for the years ended December 31, 2021 and 2020

1. CORPORATE INFORMATION

Cebu Country Club, Inc. (the "Club") was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on April 11, 1928 with SEC Registration No. 1202. Pursuant to the old Corporation Code, the Club secured SEC's approval on the amendment of its Articles of Incorporation (AOI) to extend the term of its existence for 50 years from and after April 11, 1978 to April 11, 2028. However, this was superseded based on the 2019 Revised Corporation Code which states that a corporation shall have perpetual existence unless otherwise provided in its AOI.

The Club's registered office address is at Gov. Cuenco Avenue, Barangay Kasambagan, Cebu City, Philippines.

The primary activity of the Club is to maintain, operate and manage social and recreative club in the city for amusement, entertainment, instruction, recreation and refreshment of its members.

Although the Club has maintained its status as a non-stock, non-profit corporation, the Board of Trustees (BOT) and the management adopted a continuing review on its financial policy and adopted a plan to raise funds to improve and develop the existing golf course as well as build a new club house that can accommodate up to 1,000 heads for its function rooms to raise more revenues for the golf, and food and beverage departments.

The financial statements of the Club as at and for the year ended December 31, 2021, including its comparatives as at and for the year ended December 31, 2020, were approved and authorized for issue by the BOT on April 25, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and practices applied in the preparation of these financial statements are set forth to facilitate the understanding of data presented in the financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

The financial statements of the Club have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards (PAS) and Interpretations issued by the former Standing Interpretations Committee (SIC), the Philippine Interpretations Committee (PIC) and the International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

Basis of preparation

The financial statements have been prepared on a historical cost basis except for trust fund investment which is measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and change in fair value of the consideration received in exchange for the incurring liability. 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, regardless of whether that price is directly observable or estimated using another valuation technique.

The financial statements are presented in Philippine Peso (₱), the Club's functional and presentation currency. All amounts are rounded to the nearest peso except when otherwise indicated.

Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial years except for the following new and amended PFRSs that are mandatorily effective for annual periods beginning on or after January 1, 2021.

- ***Interest Rate Benchmark Reform - Phase 2 (Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16)***. The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

  1. Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform;
  2. Relief from discontinuing hedging relationships; and
  3. Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

  The Club shall also disclose information about: (a) the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and (b) their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively. These amendments had no impact on the financial statements of the Club.

- ***PIC Q&A 2018-12, PFRS 15 - Accounting for Common Usage Service (CUSA) Charges***. The Club adopted PIC Q&A 2018-12, PFRS 15 - Accounting for CUSA starting January 1, 2021 which concludes that real estate developers are generally acting as principal for CUSA. The accounting for CUSA has been applied by the Club retrospectively. Upon adoption, the Club presented the revenue from CUSA and air-conditioning charges at gross amounts and the related costs as part of costs and expenses which were previously presented together on a net basis as part of revenues.

  The adoption had no impact on the statement of financial position, statement of comprehensive income and statement of cash flows as at and for the year ended December 31, 2021 as the Club is not a party to any lease arrangements.

New accounting standards, interpretations and amendments to existing standards effective subsequent to January 1, 2021

Standards issued but not yet effective up to the date of the Club's financial statements are listed below. This listing of standards and interpretations issued are those that the Club reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Club intends to adopt these standards when they become effective

- ***COVID-19-related Rent Concessions beyond June 30, 2021 (Amendments to PFRS 16)***.

  The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria: (a) the rent concession is a direct consequence of COVID-19; (b) the change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change; (c) any reduction in lease payments affects only payments originally due on or before June 30, 2022; and (d) there is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted. As the Club is not a party to any lease arrangements, these amendments are expected to have no impact on the financial statements.

- ***Property, Plant and Equipment: Proceeds before Intended Use (Amendments to PAS 16)***.

  The amendments to *PAS 16, Property, Plant and Equipment* prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

  The amendments are effective for annual periods beginning on or after January 1, 2022. The amendments are not expected to have a material impact on the Club.

- ***Onerous Contracts - Cost of Fulfilling a Contract (Amendments to PAS 37)***.

  The amendment to PAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract.

The above amendments are effective for annual periods beginning on or after January 1, 2022. The Club will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The amendments are not expected to have a material impact on the Club.

- ***Annual improvements to PFRSs Cycle 2018 to 2020***

  a) *PFRS 9, Financial Instruments* - clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
  b) *PFRS 16, Leases - Lease Incentives* - amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated
  c) *PFRS 1, First-time Adoption of Philippine Financial Reporting Standards* - allows subsidiaries that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same PFRS 1 exemption.
  d) *PAS 41, Agriculture, Taxation in Fair Value Measurements* - removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under PAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

  The above annual improvements are effective for annual periods beginning on or after January 1, 2022. The amendments are not expected to have a material impact on the Club.

- ***Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to PAS 12)***.

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

  The annual improvements are effective for annual periods beginning on or after January 1, 2023. An entity intends to apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023. The amendments are not expected to have a material impact on the Club.

- ***Definition of Accounting Estimates (Amendments to PAS 8)***.

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Club.

- ***Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2)***.

  The narrow-scope amendments *PAS 1, Presentation of Financial Statements* require entities to disclose material accounting policy information instead of significant accounting policies. The amendments also clarify the following: (1) accounting policy information may be material because of its nature, even if the related amounts are immaterial; (2) accounting policy is material if users of an entity's financial statements would need it to understand other material information in the statements; and (3) if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

  Further, the amendment provides several paragraphs to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material.

  In addition, PFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of 'four-step materiality process' to accounting policy information in order to support the amendments to PAS 1.

  The amendment is applied prospectively. The amendment is effective for annual periods beginning on or after January 1, 2023, with earlier application permitted. Once the entity applies the amendments to PAS 1, it is also permitted to apply the amendments to PFRS Practice Statement 2. The amendments are not expected to have a material impact on the Club.

- ***Classification of Liabilities as Current or Non-current (Amendments to PAS 1)***.

  The amendments clarify paragraphs 69 to 76 of *PAS 1, Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

  1. What is meant by a right to defer settlement;
  2. That a right to defer must exist at the end of the reporting period;
  3. That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
  4. That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Club is currently assessing the impact the amendments will have on current practice.

- ***PFRS 17, Insurance Contracts***

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace *PFRS 4, Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

  The core of PFRS 17 is the general model, supplemented by:

  1. A specific adaptation for contracts with direct participation features (the variable fee approach); and
  2. A simplified approach (the premium allocation approach) mainly for short duration contracts.

  On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the IASB.

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted. The new standard is not applicable to the Club since it has no activities that are predominantly connected with insurance or issue insurance contracts.

Deferred effectivity

PFRS 10, Consolidated Financial Statements and ***PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)***. The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. On January 13, 2016, the FRSC deferred the original effective date of April 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Club has not adopted the previously mentioned new, amended and improved accounting standards and interpretations. The Club continues to assess the impact of the above new, amended and improved accounting standards and interpretations that are effective subsequent to January 1, 2020 on its financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the financial statements when these amendments are adopted.

Determination of fair value and fair value hierarchy

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 by 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 and liabilities 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.

The Club determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement.

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

Fair value measurement disclosures of financial and non-financial assets are presented in note 26 to the financial statements.

Financial instruments

Initial recognition, measurement and classification of financial instruments

The Club recognizes financial assets and financial liabilities in the statements 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.

With the exception of trade and other receivables that do not contain a significant financing component, financial assets and financial liabilities are initially recognized at fair value including transaction costs, except for those financial assets and liabilities at fair value through profit or loss (FVPL) where the transaction costs are charged to expense in the period incurred. Trade receivables that do not contain a significant financing component are recognized initially at their transaction price.

The Club classifies its financial assets as subsequently measured at amortized cost and, fair value through other comprehensive income (FVOCI) and FVPL. The classification of financial assets at amortized cost, at FVOCI or at FVPL depends on the financial asset's contractual cash flow characteristics and the Club's business model for managing the financial assets. The Club's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Club's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Club classifies its financial liabilities as subsequently measured at amortized cost using the effective interest method or at FVPL.

As at December 31, 2021 and 2020, the Club has no financial assets at FVPL and financial liabilities at FVPL.

Financial assets at amortized cost

Financial assets are measured at amortized when both of the following conditions are met:

- the financial asset is held within a business model whose objective is 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.

After initial measurement, financial assets at amortized cost are subsequently measured using the effective interest method less allowance for impairment. Gains and losses are recognized in the statements of comprehensive income when the financial assets at amortized cost are derecognized, modified or impaired. These financial assets are included in current assets if maturity is within 12 months from the end of reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2021 and 2020, included under financial assets at amortized cost are the Club's *Cash and cash equivalents, Trade and other receivables, Long term investment* and *Refundable deposits* (see notes 4, 5, 10 and 12).

(a) Cash and cash equivalents

Cash includes cash on hand and cash in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value with original maturities of three (3) months or less.

(b) Trade and other receivables

Trade receivables are receivables from members which are subsequently measured at amortized cost less allowance for any loss on impairment. Accordingly, allowances are set up for doubtful accounts and for any anticipated adjustments of which in the normal course of events, will reduce the amounts of receivables from members and others. Impairment loss is provided when there is objective evidence that the Club will not be able to collect all amounts due to it in accordance with the original terms of the receivables.

Other receivables pertain to advances from employees, receivable from Social Security System (SSS) for sickness and maternity reimbursements from the government and receivable from credit card merchants.

(c) Long-term investments

Long-term investments are investments that are deposited in the banks to earn interest and are convertible to known amounts of cash and are subject to insignificant risk in case of change in value.

(d) Refundable deposits

Refundable deposits are payments to lessor and utility service providers for electric meter used. Deposit to lessor is refundable at the end of lease term.

Equity instrument designated at FVOCI

Upon initial recognition, the Club may make an irrevocable election to present in other comprehensive income changes in the fair value of an equity investment that is not held for trading. The classification is determined on an instrument-by-instrument basis.

When the equity instrument is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is not subsequently reclassified to profit or loss, but is transferred to *Cumulative excess of revenues over expenses*. Dividends on such investments are recognized in profit or loss when the right of payment has been established, except when the dividends represent a recovery of part of the cost of the investment, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment. These financial assets are classified as noncurrent assets.

The Club's equity instrument designated at FVOCI are *Trust fund investments* as at December 31, 2021 and 2020 (see note 9).

Financial liabilities at amortized cost

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading, or designated as at FVPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Financial liabilities s are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer) while non-trade payables are classified as current liabilities if payment is due within one year or less. If not, these are presented as noncurrent liabilities.

As at December 31, 2021 and 2020, included in financial liabilities at amortized cost are *Trade and other payables (except unearned revenues and payable to government agencies)* and *Member's cash and option deposits* (see notes 13 and 14).

(a) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other payables include non-trade payables and accrued expenses.

(b) Members' cash and option deposits

Members' cash and option deposits are payments made by assignee, special Club members, and senior members upon approval of their membership application.

Amortized cost and effective interest method

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset.

If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Club recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

For financial assets other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses (ECLs), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including ECLs, to the amortized cost of the debt instrument on initial recognition.

Interest income is recognized under *Other income* in the statements of comprehensive income.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derecognition of financial assets and financial liabilities

(a) Financial assets

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

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

Where the Club has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Club's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Club could be required to repay.

(b) *Financial liabilities*

A financial liability is derecognized when the obligation was discharged, cancelled or has expired.

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

Impairment of financial assets

The Club recognizes an allowance for ECLs for all debt instruments that are measured at amortized cost, and trade and other receivables. ECLs are a probability-weighted estimate of credit losses over the expected life of the financial asset.

Credit losses are 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 the original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables , the Club applies a simplified approach in calculating ECLs. The Club recognizes a loss allowance based on lifetime ECLs at the end of each reporting period. The ECLs on these financial assets are estimated using a provision matrix based on the Club's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment, including time value of money where appropriate.

When the credit risk on financial instruments for which lifetime ECLs have been recognized subsequently improves, and the requirement for recognizing lifetime ECLs is no longer met, the loss allowance is measured at an amount equal to 12-month ECL at the current reporting period, except for assets for which simplified approach was used.

The Club recognizes impairment loss (reversals) in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

The Club assesses at each end of the reporting period whether the credit risk on a financial asset has increased significantly since initial recognition. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is measured at an amount equal to the lifetime ECLs. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, a loss allowance is measured at an amount equal to 12-month ECLs. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting period.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Club compares the risk of a default occurring on the financial instrument at the end of reporting period with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Club considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Club's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Club's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. the extent to which the fair value of a financial asset has been less than its amortized cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Club presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Club has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Club assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the end of reporting period. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default;
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Club considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Club regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Club considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Club, in full (without taking into account any collateral held by the Club).

The Club has no history of customer defaults in the past years.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lenders of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lenders would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Club writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade and other receivables, when the amounts are over one year past due, whichever occurs sooner.

Financial assets written off may still be subject to enforcement activities under the Club's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Inventories

Inventories are initially recognized at cost. Subsequently, inventories are measured at the lower of cost and net realizable value (NRV). Cost is determined using the first-in first-out method. NRV is the estimated selling price in the ordinary course of the business, less applicable costs necessary to make the sale. NRV of the inventories is the current replacement cost.

When the NRV of the inventories is lower than the cost, the Club provides an allowance for the decline in the value of the inventory and recognizes the write-down as expense in the profit of loss.

The amount of any reversal of any write-down of inventories, arising from an increase in NRV is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

These are derecognized when sold, disposed or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognition of the asset (calculated as the different between the net disposal proceeds and the carrying amount of the item) is included in the statements of comprehensive income in the year the item is derecognized.

Prepayments

Prepayments are expenses paid in advance and recorded as asset before these are utilized. Prepayments include prepaid insurance, dues and subscription and input VAT. Prepayments are apportioned over the period covered by the payment and charged to the appropriate accounts in the statements of comprehensive income when incurred.

Input VAT is the indirect tax paid by the Club on the local purchase of goods or services from a VAT-registered person. Input tax is deducted against output tax in arriving at the VAT due and payable. Claims for input VAT are stated at face value less provision for impairment, if any. Allowance for unrecoverable input VAT, if any, is maintained by the Club at a level considered adequate to provide for potential uncollectible portion of the claims.

Prepayments that are expected to be realized for not more than 12 months after the reporting date are classified as current assets; otherwise, these are classified as noncurrent assets.

Property and equipment

Property and equipment (except land) are initially recognized at cost and subsequently measured at cost less accumulated depreciation and any impairment in value. Land is initially recognized at cost and subsequently measured at cost less any accumulated impairment loss.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance are normally charged against operations in the period in which the costs are incurred. Expenditures for additions, major improvements and renewals are capitalized.

Depreciation of property and equipment commences once the property and equipment are available for use and computed using the straight-line method over their estimated useful lives as follows:

Land improvements	10 years
Clubhouse and buildings	10 years
Tools, utensils and equipment	5 years
Water system	10 years
Office, bar and restaurant furniture and fixtures	5 years
Other fixed assets	3-5 years

The useful lives and depreciation method are reviewed annually to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

When properties and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Fully depreciated property and equipment are retained in the accounts until these are no longer in use and no further depreciation is charged against current operations.

Intangible asset

Intangible asset acquired separately is measured on initial recognition at cost. Subsequent to initial recognition, intangible asset is carried at cost less any accumulated amortization, in the case of intangible asset with finite life, and any accumulated impairment losses.

The Club's intangible asset consists of computer software which has a definite useful life. The computer software is amortized using the straight-line method over an estimated useful life of five years with no residual value.

These are tested annually for impairment as changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

These are derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in the statements of comprehensive income.

Other noncurrent assets

Other noncurrent assets include deferred input value-added tax (VAT) and refundable deposits. Deferred input VAT pertains to the input VAT of the purchased capital goods exceeding ₱1,000,000. Refundable deposit pertains to payment to utility service provider for electric meter used.

These are expected to be realized for more than 12 months, and are classified as noncurrent assets.

Impairment of non-financial assets

At the end of each reporting period, the Club assesses whether there is any indication that any of its assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Club estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs.

When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized as an expense, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized as income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Members' equity

(a) Proprietary membership certificates

The proprietary ownership certificates (POC) issued to original proprietary members are not to be issued for less than ₱3,000.

(b) Additional contributions

These are excess of member's payment over the stated value of the POC which is recognized during the sale of the POC by the Club.

(c) *Cumulative excess of revenues over expenses*

These include all current and prior results as disclosed in the statements of comprehensive income and the statements of changes in members' equity.

Revenue recognition

Revenue from contracts with customer 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.

Within the scope of PFRS 15

(a) *Membership dues* pertains to monthly's dues and admission fees paid by members for the average membership period. Revenues are recognized over time when membership dues are due and demandable.

Admission fees are expected to be amortized for an average membership period of 10 years and are classified as noncurrent liabilities. Unearned admission fees pertaining to members with remaining average membership period within 12 months are recognized under current liabilities. Amortization for the year is recognized as part of *Membership dues* under *Revenues* in the statements of comprehensive income.

Any advance payments and unamortized admission fees are recorded under *Contract liabilities* in the statements of financial position.

(b) *Golf and other sports recreation* pertain to service fees for every play of golf and fees charged for the use of the Club's golf and other amenities.

Revenues are recognized upon satisfaction of performance obligation transferring of the promised services or upon the use of the Club's facilities.

(c) *Food and beverage* are recognized when the transfer of control has been passed to the buyer at the time when the performance obligation has been satisfied. Payment of the transaction price is due immediately at the point when the customer purchases the goods.

Outside the scope of PFRS 15

(d) *Interest income* is recognized as it accrues (using the effective interest method i.e., the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

(e) *Other income* is recognized upon the usage of Club's facilities other than golf course and major facilities of the Club.