

# COVER SHEET

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S.E.C. Registration Number

T H E P A L M S C O U N T R Y C L U B I N C  
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(Company's Full Name)

1 4 1 0 L A G U N A H E I G H T S D R I V E  
F I L I N V E S T C I T Y A L A B A N G  
M U N T I N L U P A C I T Y

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

MITZI C. CHUIDIAN  
Contact Person

(02) 8771-7171  
Company Telephone Number

1 2      3 1  
Month      Day  
Fiscal Year

1 7 - A  
FORM TYPE

0 4                 
Month      Day  
Annual Meeting

S8 - 1  
Secondary License Type, if applicable

C S D

Dept. Requiring this Doc.  
Number/Section

\_\_\_\_\_  
Amended Articles

4,600

Total Number of Stockholders

\_\_\_\_\_  
Domestic

\_\_\_\_\_  
Foreign

To be accomplished by SEC Personnel concerned:

\_\_\_\_\_  
File Number

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SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-A

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

1. For the calendar year ended **December 31, 2022**

2. Commission identification Number **A200005129**

3. BIR Identification No. **206-361-205-000**

4. Exact name of issuer as specified in its charter: **The Palms Country Club, Inc.**

5. Philippines  
Province, Country or other jurisdiction of  
incorporation of organization

6. \_\_\_\_\_  
Industry Classification Code  
(SEC Use Only)

7. 1410 Laguna Heights Drive, Filinvest Corporate  
City, Alabang, Muntinlupa City  
Address of issuers' principal office

8. (02) 8771 - 7171  
Issuer's telephone number

9. \_\_\_\_\_  
Former name, former address, and former fiscal year,  
if changed since last report

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

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>	
<u>Common no par value shares</u>	<u>4,600</u>	<u>P---</u>

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

Yes [ ] No [ x ]

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

12. Indicate whether the registrant

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

Yes [ x ] No [ ]

[b] has been subject to such filing requirements for the past 90 days.

Yes [ x ] No [ ]



## PART I – BUSINESS AND GENERAL INFORMATION

### ITEM 1: BUSINESS DEVELOPMENT AND BUSINESS OF ISSUER

**THE PALMS COUNTRY CLUB, INC.** (the "Club") is a stock, not-for-profit corporation which was duly registered with the SEC on May 24, 2000 under SEC Registration No. A-2000-05129. Its primary purpose is to foster, conduct and promote social, business and athletic activities among its members, with the main objective of engaging in the development, construction, maintenance, management and operation of a recreational sports club that will provide members thereof the use and enjoyment of facilities for indoor and outdoor sports, recreational and physical fitness activities, restaurants, dining halls and similar facilities. No part of the income or assets of the Club shall belong to or inure to the benefit of any member, officer or any specific person.

As a not-for-profit corporation organized for the purposes stated above, the Club is subject to 25 % Regular Corporate Income Tax. Revenue memorandum Circular No. 35-2012 clarified the taxability of Clubs organized and operated exclusively for pleasure, recreation and other non-profit purposes. Accordingly, organizations that were established for recreation and other non-profit purposes such as country clubs must pay income tax under National Internal Revenue Code (NIRC) and VAT. The Club's gross receipts including but not limited to membership fees, assessment dues, rental income and services fees are subject to income tax and VAT. The Association of Non-profit Clubs, Inc. (ANPC) submitted to BIR a position paper requesting the non-application of RMC 35-2012 on the grounds that membership dues collected from members are used to defray the expenses of the exclusive membership clubs and should not be subject to income tax and VAT. On September 17, 2014, ANPC filed a petition before the RTC declaring RMC 35-2012 as invalid, unjust, oppressive, confiscatory, and in violation of due process clause of the constitution. On August 15, 2019, the Supreme Court has ruled that membership fees, assessment fees and other fees collected by clubs which are organized and operated exclusively for pleasure, recreation and non-profit purposes are not subject to income and VAT.

The Club had an initial capital stock of eight (8) no par value share, consisting of seven (7) Founder's Shares and one (1) common share. As approved by the Securities and Exchange Commission (SEC) on November 20, 2000, the capital stock was increased to four thousand six hundred (4,600) common no par value shares divided into one thousand nine hundred seven (1,907) Class "A" shares (including the seven (7) Founder's Shares), two hundred fifty (250) Class "B" shares, one hundred fifty (150) Class "C" shares and two thousand two hundred ninety three (2,293) Class "D" shares (including the original one (1) common share).

The Club's principal place of business is at 1410 Laguna Heights Drive, Filinvest Corporate City, Alabang, Muntinlupa City.

The operations and business of the Club are subject to ordinances, rules and regulations issued or enacted by the local government of Muntinlupa City.

The Club is a private and exclusive propriety membership club. It is a comprehensive "resort-within-the-city" club that offers a complete range of services and facilities to members. It is part of the hospitality industry specifically operating as a family-oriented, deluxe country club located south of Manila. Membership is limited to those who have purchased membership shares and have been duly prescreened by the Board of Directors.

**FACILITIES:**

<p><u>A. Dining and Function facilities:</u></p> <p>Ballroom</p> <p>Continental Restaurant / Private Rooms</p> <p>Nishijin</p> <p>Café Asiana</p> <p>Member's Lounge</p> <p>Board Room and Function Rooms</p> <p>Strikes Sports Bar and Restaurant</p> <p>Bleacher's Juice Bar</p> <p>Pool Bar and Barbeque Area</p> <p>Palms Deli</p>	<ul style="list-style-type: none"> <li>▪ Third level ballroom ideal for weddings and events. This can be divided into four smaller rooms to accommodate small functions.</li> <li>▪ Semi-formal dining restaurant offering an international cuisine with two private dining rooms.</li> <li>▪ Restaurant offering Japanese cuisine with a sushi bar, teppanyaki tables and tatami rooms.</li> <li>▪ Coffee shop on the garden level with terrace dining with a view of the swimming pool.</li> <li>▪ Bar and Lounge area adjacent to the Continental restaurant.</li> <li>▪ Board room and three private function rooms as suitable venues for meetings and audiovisual presentations.</li> <li>▪ Bar &amp; restaurant with bowling, billiards and KTV rooms.</li> <li>▪ Bar adjacent the basketball court offering refreshments.</li> <li>▪ Outdoor dining area for snacks and light meals with gazebo barbecue areas.</li> <li>▪ Cakes and pastries counter at the lobby area.</li> </ul>
<p><u>B. Health and Recreational Facilities:</u></p> <p>Spa – Sauna, Dip Pools, and Massage</p> <p>Gym and Aerobics Studio</p> <p>Locker Rooms</p> <p>Salon</p> <p>KTV Rooms</p> <p>Kid's Indoor Recreation Area</p> <p>Pilates Studio</p>	<ul style="list-style-type: none"> <li>▪ Spa services in eight treatment rooms, ladies' and men's dip pools.</li> <li>▪ Free weights and cardio-theater gym with a second-level stretching and aerobics studio.</li> <li>▪ Wet and dry changing areas.</li> <li>▪ Hair and nail services for men and women.</li> <li>▪ Two karaoke television rooms at the Strikes Sports bar and restaurant.</li> <li>▪ Play and rest area with interactive computer center, playroom and romping area.</li> <li>▪ One Squash Court converted to Pilates Studio</li> </ul>
<p><u>C. Sports Facilities:</u></p> <p>Resort Pool</p> <p>Lap Pool</p> <p>Slides &amp; Water Feature</p>	<ul style="list-style-type: none"> <li>▪ Play pool area with jacuzzi jets</li> <li>▪ 25-meter lap swimming pool</li> <li>▪ Mountain water slide</li> </ul>



Putting Course Eight-lane Bowling Alley	<ul style="list-style-type: none"> <li>▪ Six-hole putting course</li> <li>▪ Eight-lane championship bowling lanes</li> </ul>
Four Tennis Courts	<ul style="list-style-type: none"> <li>▪ Two covered and two outdoor courts</li> </ul>
One Squash Court	<ul style="list-style-type: none"> <li>▪ International standard squash court</li> </ul>
Two Badminton courts Basketball Court / Multi-Purpose Hall	<ul style="list-style-type: none"> <li>▪ Indoor badminton courts</li> <li>▪ Indoor basketball court convertible to three badminton and volleyball courts</li> </ul>
Billiards / Pool	<ul style="list-style-type: none"> <li>▪ Billiard pool tables in the bowling area</li> </ul>
Rock Climbing	<ul style="list-style-type: none"> <li>▪ Outdoor climbing wall</li> </ul>
<u>D. Others:</u> Club Shop and Reception Library	<ul style="list-style-type: none"> <li>▪ Retail shop and registration counter</li> <li>▪ Library and work area</li> </ul>

The Club has generated total revenue of ₱348.1 million for the year ended December 31, 2022. Food and beverage, Membership dues, Sports and recreation, Club Shop and other miscellaneous revenues contributed 62.3%, 24.6%, 6.0% and 7.1% respectively.

Alabang Country Club, Rockwell Club, and Manila Polo Club are generally the Club's main competitors. However, aside from these exclusive membership clubs, Palms also competes directly in the area of banquet business with nearby hotels/condotels such as Bellevue Manila, Vivere Suites, Acacia Hotel, Crimson Hotel, The Filinvest Tent, Palazzo Verde (formerly Fernbrook Gardens) and the Somerset Alabang. Those competing with the Club for restaurant business include the free-standing restaurants in the Alabang Town Center, Festival Mall, Westgate Center, River Park Festival Mall, Molito and Commerce Center in Filinvest City.

The Bellevue Manila is considered to be one of the banquet competitors considering it having two towers for accommodation. Vivere Suites has a competitive Ballroom that can accommodate 150 pax. The edge of Acacia Hotel is having two Ballrooms with 200-300pax capacity. Crimson Hotel highlights its banquet events in its 300pax-capacity Ballroom. Palazzo Verde, on the other hand, as a competitor continues to contribute to the decline of the Club's wedding market due to the romantic ambiance created by the different settings of the venue plus the Basilica inside which could include the wedding ceremony. The Filinvest Tent is now a venue that could accommodate from 500 to 2,000 guests. Somerset Alabang has two function rooms which can accommodate 100 guests per function room.

The relative strengths of its hotel competitors are the fully furnished and well-stocked guestrooms and hotel services, i.e. room service, bar lounge with regular entertainers, shuttle service to and fro the malls. The hotels enjoy continued patronage and acquire corporate market of consecutive-day seminars due to the additional amenities and services provided.

The Club also expanded its business with outside catering services, enabling it to service loyal club members in their homes and other venues such as office buildings and special events place. The tie up with The Filinvest Tent as a bigger venue allows the Clubs to cater up to 4,000 persons.

The Club offers "value for money" pricing, which enables it to get a relatively substantial share of the banquet market. The strength of the banquet business in Alabang Country Club, Rockwell Club and Manila Polo Club is their lower pricing level.

In order for The Club to compete effectively and efficiently with its competitors, it is necessary to maintain the high-quality of food and beverage offerings, first-class standard of service and well thought-out events and activities.

The Club has 157 probationary and regular employees as of December 31, 2022 and 149 as of December 31, 2021. Out of the 157 employees, 29 have administrative functions while 128 discharge duties related to operations. There is no collective bargaining agreement that exists between the management and employees. No tipping is allowed in the Club. Employees may not receive either tips or gifts from members. Service charge of 10% is being collected from F&B sales and distributed to all probationary and regular employees every month.

## **ITEM 2: PROPERTIES**

The Club owns a 30,000-square meters parcel of land (the "Property") situated at 1410 Laguna Heights Drive, Filinvest Corporate City in Alabang, Muntinlupa City, and covered by Transfer Certificate of Title No. 209983 issued by the Registry of Deeds for Muntinlupa City. The country club building was constructed on the Property. The building is covered by Tax Declaration Number E-005-08273 duly issued by the City of Muntinlupa.

Both the Property and building are the subject of separate subscription agreements entered into between the Club and its developer, Filinvest Alabang, Inc. ("FAI").

Under the terms of the Subscription Agreement dated September 14, 2000, as amended on October 20, 2000, FAI:

- ceded, transferred, assigned and delivered to the Club the Property valued at ₱14,000 per square meter or a total of ₱420,000,000, in exchange for 867 Class "A" shares, 115 Class "B" shares and 68 Class "C" shares, or a total of 1,050 shares.
- developed the Property into a world class sports and country club with facilities and equipment necessary to operate the Club, in exchange for 1,033 Class "A" shares, 135 Class "B" shares and 82 Class "C" shares, or a total of 1,250 shares.

In 2004, the corresponding shares of stock were issued to FAI upon final acceptance of the Property by the Club. And pursuant to a Subscription Agreement entered into in December 2004, the advances of FAI for the development of the country club building in the amount of ₱687,693,521 were further exchanged for equity in the Club.

There is no mortgage, lien or encumbrance over the Property and the building.

There is no property being leased by the Club. Neither does the Club intend to lease any of its properties in the next 12 months.

The Club has no intention to acquire properties in the nature of capital assets in the next twelve (12) months, except for major repairs and maintenance of some facilities in order to continue to live up to the members' expectations through continuous improvements, facelifts and renovations.

## **ITEM 3: LEGAL PROCEEDINGS**

The land forms part of Lot 392 of the Muntinlupa Estate in the name of the Republic of the Philippines and developed by FAI (the developer referred to in Note 2) into what is now known as the Filinvest City. Lot 392 is the subject matter of Civil Case Nos. 99-075 and 99-320 for annulment of titles and contracts, considered to be nuisance suits. In its resolution dated July 30, 2007, the Supreme Court affirmed the dismissal of Civil Case No. 99-075 by the trial court and the Court of Appeals. On the other hand, the trial court has required the plaintiffs in Civil Case No. 99-320 to



pay the docket fees corresponding to the value of the property subject of the case. As of December 31, 2008, the plaintiffs have not done so. Accordingly, counsel for FAI filed in February 2009 a "Motion to dismiss" praying that the case be dismissed with prejudice. The Motion to dismiss was granted on November 19, 2009.

**ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

There were no matters submitted to a vote of security holders during the period covered by this report.

**PART II – OPERATIONAL AND FINANCIAL INFORMATION**

**ITEM 5: MARKET FOR ISSUER’S COMMON EQUITY AND RELATED STOCKHOLDERS’ MATTERS**

**Market Information**

There is no public trading market for selling the shares of stocks of the Club. FAI resells to interested third parties the Class "A", "B" and "C" shares of the Club it received in exchange for the Property and the development of the country club structures and facilities thereon.

The Club shall not issue shares of stock, which will reduce the stock ownership of Philippine citizens to less than 60% of the outstanding capital stock. No holder of any class of shares shall have any pre-emptive right to acquire, purchase or subscribe to any share of the club of any class.

**Holders**

Breakdown of the number of shares as of December 31, 2022:

<b>Type of Shareholders</b>	<b>Class A</b>	<b>Class B</b>	<b>Class C</b>	<b>Class D</b>	<b>Total</b>
Individual	1,601				1,601
Corporate	287	64	52		403
Developer (FAI-unsold)	12	186	98	2,293	2,589
Founders' Share	7				7
<b>Total No. of Shares</b>	<b>1,907</b>	<b>250</b>	<b>150</b>	<b>2,293</b>	<b>4,600</b>

Top 20 shareholders as of December 31, 2022:

<b>Shareholders</b>	<b>No. of Shares</b>	<b>% to Total Outstanding Shares</b>
Filinvest Alabang, Inc.	2,589	56.28%
Shell Philippines Exploration B.V.	12	0.26%
Filinvest Land, Inc.	11	0.24%
Adec Designs Corporation	8	0.17%
Lorena Gudoy-Hurtado	3	0.07%



Dinesh Jadwani	3	0.07%
Quality Packaging Corporation	3	0.07%
Rayomar Management, Inc.	3	0.07%
TDK Philippines corporation	3	0.07 %
Johnson & Johnson, Philippines	2	0.04%
Atlantic gulf and Pacific Company of Manila	2	0.04%
FG Holdings, Inc.	2	0.04%
Fluor Daniel, Inc. Phil.	2	0.04%
Key Logistics, Inc.	2	0.04%
MCSI Trading Corporation	2	0.04%
Norvic, Inc.	2	0.04%
Oriental Shipmanagement Company, Inc.	2	0.04%
Prestonburg Development corporation	2	0.04%
First Asia Venture Capital, Inc.	2	0.04%
Far Eastern University, Inc.	2	0.04%

### Dividends

The Club being a not-for-profit organization will not declare any dividend.

## ITEM 6: MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

### Discussion of the Results of Operations for 2022 vs. 2021 and 2020

The results of the Club operations for year 2022 improved in terms of revenues after easing of restrictions due to the Covid-19 pandemic. Both years 2021 and 2020 resulted to net loss by ₱ 15.32 and ₱25.57 million respectively.

The Club generated total revenue of ₱348.1 million for the year ended December 31, 2022 compared to ₱199.1 million in 2021 and ₱196.9 million in 2020. Food and Beverage revenues increased by ₱129.1 million from ₱87.8 million in 2021 to ₱216.9 million or 147.2% in 2022. Food and beverage contributed 62.3% to the total revenue. Membership dues collected for the year was ₱85.6 million or 24.6% of total revenues. Sport and recreations posted revenues of ₱21.0 million in 2022, ₱7.4 million in 2021 and ₱7.7 million in 2020. It contributed to the total club revenues of 6.0%, 3.7% and 4.0% respectively. The increase in revenues of ₱13.6 million in 2022 is mainly due to reopening of sports facilities and events. Club Shop and other miscellaneous revenues was ₱15.6 million in 2020, ₱18.7 million in 2021 and ₱24.6 million in 2022 contributing 7.1% of total revenues. Club Shop and other revenues include transfer fees, assignment and re-nomination fees, revenues from party packages, equipment hires, and sales from merchandise, among others.

Total direct cost as of December 31, 2022 amounted to ₱243.2 million representing 69.9% of the total revenues compared to 62.7% or ₱124.7 million in 2021 and 62.4% or ₱120.3 million in 2020. Total cost of Sales percentage was 36.7% of the total revenues in 2022 compared to 26.7% in 2021. Direct payroll cost was ₱60.8 million in 2022 and ₱34.7 in 2021 or 17.5% and 17.4% respectively. Other major direct costs relate to utilities, laundry and operating supplies which accounted for ₱39.0 million or 11.2% of the total revenue for 2022 and ₱24.7 million or 12.4% in 2021. Banquets and special events expenses was ₱5.1 million. Marketing and other expenses was ₱7.8 million, and other direct expense of ₱1.0 million.

Total other operating expenses excluding depreciation amounted to ₱71.8 million in December 31, 2022 compared to ₱57.2 million in 2021 and ₱63.3 million in 2020. Excluded in the operating expenses is the ₱6.2 million lease charges of chilled water supply for the year 2022. The increase

in the other operating expenses is attributed to the full operations of the Club. The management continues to implement measures to control operating costs.

Total depreciation expense for 2022 was ₱28.6 million compared to ₱28.7 million in 2021 or a decrease of ₱.1 million or .5%. This is because some equipment has fully depreciated for 2022.

There were 15 new members from 2,157 in December 31, 2021 to 2,172 in December 31, 2022. The slow growth in the sale of shares can be attributed to the availability of the secondary market which is competing in the sale of fresh shares. Total membership dues collected for the year was ₱85.6 million. Management continues to implement a discount scheme where members have the option to pay in advance twelve-month's worth of membership dues in exchange for ₱3,300.00 worth of gift voucher which members can avail in any restaurant outlets in the Club.

Total Current Assets stand at ₱180.5 million this year compared to ₱124.0 million in December 31, 2021 and ₱223.5 million in 2020. Of the total current assets, 46.2% represented cash, 18.8% short-term investment, 23.5% contract receivables, 1.5% due from related parties, 7.8% inventories and 2.2% other current assets. Contract receivable as of December 31, 2022 increased by 30.1% due to the increase in members' patronage of the Club's facilities. Since the easing of the government's restrictions was implemented, members started coming to the Club. Total inventories also increased by 7.8% in December 31, 2022 mainly due to increased purchases of food and beverages. The Club rented an outside cold storage facility and purchased meat in bulk for the holidays in December.

Acquisition of property and equipment for the year ending December 31, 2022 was ₱6.3 million. Major repairs were done which includes the repairs and repainting of perimeter fence, the Human Resources Information System (HRIS) project, Toyota Hilux for employees' shuttle service, waterproofing of jacuzzi skylight, major repairs of bowling equipment, kitchen and gym equipment to name a few. The equipment and repairs are needed to maintain and improve the quality of facilities and services available to the members.

Total current assets stood at ₱180.5 million while current liabilities stood at ₱99.2 million. The Club's current ratio is at 1.82 by December 2022. To improve cash position, penalty charges of 2% per month or 24% per annum were enforced against members with overdue accounts. In addition, the use of the Club's facilities and amenities is suspended with respect to members whose accounts are overdue for 60 days or more. Quick ratio is favorable at 1.64 while solvency ratio is at 8.0 with total assets of ₱970.3 million over total liabilities of ₱121.9 million. The Club's debt ratio is strong at 0.14 with total liabilities of ₱121.9 million over stockholder's equity of ₱848.3 million.

#### PERFORMANCE INDICATORS:

	Dec. 31, 2022	Dec. 31, 2021
Current Ratio	1.82	1.83
Current Assets	180.24	124.03
Current Liabilities	99.24	67.73
Quick Ratio	1.64	1.65
Cash + Accts Receivable	162.37	111.62
Total Current Liabilities	99.24	67.73
Solvency Ratio	7.96	10.07
Total Assets	970.27	938.19
Total Liabilities	121.93	93.18
Debt-Equity Ratio	.14	.11
Total Liabilities	121.93	93.18
Total Stockholders' Equity	848.34	845.01



Profit Margin Ratio	.01	(.08)
Net Income (Loss)	1.76	(15.3)
Total Revenue	348.14	199.07

**Events that will trigger direct or contingent financial obligation**

There are no known events that will trigger direct or contingent financial obligation that is material to the Club, including any default or acceleration of an obligation.

**Trends or events that will impact on the company's liquidity position**

There are no major demands, commitments or uncertainties which will likely result to any cash flow or liquidity problem in the next twelve (12) months.

**Trends or events of uncertainties that will impact on net sales or revenues or income**

More than two years after the outbreak of COVID-19 pandemic, the Club is experiencing the start of recovery as evident in the results of operations. Although the end of Covid-19 pandemic is not yet in sight, members are confidently coming back and using the Club facilities again. The Club will continue to adapt and adjust its activities to allow members enjoyment of the facilities to the extent allowed under existing alert level rules and guidelines. The Club will also abide and fully cooperate with the national and local government units to help curve the spread of the virus.

**Significant elements of income or loss that did not arise from continuing operations**

There were no significant elements of income or loss that did not arise from continuing operations.

**Material changes from January 1, 2022 to December 31, 2022 in one or more line items in the financial statements**

There were no material changes in one or more line items in the financial statements from January 1, 2022 to December 31, 2022.

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

There were no seasonal aspect that had a material effect on the financial condition or results of operations for the year ended December 31, 2022.

**Commitment for Capital Expenditure**

In April 2016 the Club entered into an "Efficiency Performance Contract with Engie Services (Philippines) for the latter to operate and maintain installations that supply chilled water to the Club. This is a comprehensive rehabilitation of the air-conditioning system of the Club. The terms of the agreement require that the Club make monthly fixed payments of ₱246,000 exclusive of VAT from the date of agreement until the date of completion of testing and commissioning of the chilled water installations. The agreement further stipulates that Engie will initially shoulder the



cost of the installations for the chilled water supply owned by the Club and Engie to bill the Club for its share of the cost of installations. Upon completion of testing and commissioning, the Club is required to make fixed monthly payments of ₱622,000 exclusive of VAT, for the next ten (10) years representing the fixed period charges of the Club for the use of the chilled water and after which, the ownership of the remaining installations will be vested to the Club. As of December 31, 2017, the Club has paid Engie P22.5 million representing Club's share in the cost of installations.

On February 28, 2017, Engie has completed the testing and commissioning of the installation. On March 18, 2017, full operation commenced and Engie started billing the Club the fixed charges. As of December 31, 2022, the club has paid a total of ₱42.91 million equivalent to sixty nine (69) months installment.

## **ITEM 7: FINANCIAL STATEMENTS**

The management of the Club is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2022, and the years ended December 31, 2021 and December 31, 2020. The financial statements have been prepared in accordance with prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements of the Club.

Please refer to attached audited financial statements and the accompanying notes and schedules to support the financial statements as of December 31, 2022 referred to as **Annex A** hereof.

### **Related Party Transaction**

The Club has entered into various transactions with related parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence (referred to as affiliates). Related parties may be individual or corporate entities.

Transactions entered into by the Club with related parties are at arm's length and have terms equivalent to the transactions entered into with third parties.

Significant related party transactions follows:

- a) The club has trade receivables from its affiliates as members of the Club for which it bills monthly membership dues and use of facilities. These affiliates include entities affiliated with FAI, the developer.
- b) The Club maintains cash in bank account with EastWest Banking Corporation (EWBC), a bank affiliated with FAI. Cash in banks earn interest at the prevailing market rates.
- c) The Club has trade payables for FCC maintenance and utilities to FAI, its developer.

The Club has no subsidiaries.

### **Long-term debt**

As of December 31, 2022, the Club has an outstanding lease liability of ₱15.52 million payable until March 2027 with fixed monthly payments of ₱622,000 exclusive of VAT to Engie Services (Philippines). The contract agreement is for operating and maintenance of installations that supplies chilled water supply to the Club.

### **ITEM 8: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES**

There are no changes in and disagreements with accountants as to any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

### **External Audit Fees and Services**

As approved by the Board of Directors, the Club engaged the services of auditing firm Sycip Gorres Velayo & Co., with SEC accreditation no. 0077-A, starting calendar year 2005 to December 2022.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Philippine Financial Reporting Standards. The auditor's responsibility is to express an opinion on the financial statements based on the audit conducted in accordance with Philippine Standards on Auditing. Those standards require that the auditor should comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. The auditor also evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

There have been no disagreements with SGV on any matter of accounting principle or practice, financial statement disclosure, or auditing scope or procedure. Representatives of SGV are expected to be present at the annual meeting and they will have the opportunity to make statement if they desire to do so and are expected to be available to respond to appropriate questions.

The 2021 audit of the Club is in compliance with paragraph (3)(b)(ix) of SRC Rule 68, as amended, which provides that the external auditor should be rotated, or the handling partner changed, every five (5) years or earlier.

The Audited Financial Statement ended December 31, 2022 was signed by Mr. Michael C. Sabado, a partner in Sycip Gorres Velayo & Co. He holds a CPA certificate No. 89336, SEC Accreditation No. 0664-AR-4 (Group A) which is valid until November 10, 2022 and BIR Accreditation No. 08-001998-073-2020 valid until December 2, 2023

### **Audit Fees**

- a) Audit fees for the last two (2) fiscal years for professional services rendered by Sycip Gorres Velayo & Co. Amount indicated are inclusive of out of pocket expenses plus 12% Vat.
  - 1. December 31, 2022      PHP 305,536.00
  - 2. December 31, 2021      PHP 291,860.80
  
- b) Tax Fees  
The Club has not engaged any external auditor for tax accounting, compliance, advice, planning and any other form of tax service for the last two (2) fiscal years.
  
- c) All other Fees



The Club has not engaged any external auditor for the last two (2) fiscal years for products and services other than the services reported under item (a).

### **PART III – CONTROL AND COMPENSATION INFORMATION**

#### **ITEM 9: DIRECTORS AND EXECUTIVE OFFICERS**

**1. EFREN C. GUTIERREZ – CHAIRMAN**

Atty. Gutierrez, 87, Filipino, is also a member of the Board of Directors of Filinvest Land, Inc. (FLI). He served as the President of FAI from 1999 to 2005. He obtained his Bachelor of Laws degree from the University of the Philippines. Atty. Gutierrez has been a director of the Club since its incorporation in 2000 and was first elected as Chairman in 2015.

**2. FRANCIS NATHANIEL C. GOTIANUN – PRESIDENT & CEO**

Mr. Gotianun, 39, Filipino, is also the Senior Vice President of Filinvest Hospitality Corporation, a subsidiary of Filinvest Development Corporation (FDC), the primary role of which is to evaluate, plan, develop and optimize current and potential hospitality investments of the Filinvest Group. He is also a member of the Board of Directors of FLI and in other companies within the Filinvest Group. He concurrently serves as Chairman of Pro-excel Property Managers, Inc. and Pro-Office Work Services, Inc. Prior to joining Filinvest, he worked with Teletech as Head of Country Support Services. He obtained his Bachelor's Degree in Commerce from the University of Virginia in 2005 and his Master's Degree in Business Administration in IESE Business School – University of Navarra in 2010. Mr. Gotianun was first elected as a director of the Club in 2015.

**3. ANDREW GERARD D. GOTIANUN – DIRECTOR**

Mr. Gotianun III, 46, Filipino, is the Vice President for Purchasing of the Filinvest Group. Prior to that, he was the Senior Assistant Vice President for Purchasing of the Filinvest Group, and Special Assistant to the President starting May 2008. Mr. Gotianun III obtained his Bachelor's Degree in Business Administration from Concordia University at Irvine California, USA. He has been a director of the Club since 2017.

**4. CATHERINE A. ILAGAN - DIRECTOR**

Ms. Ilagan, 53, Filipino, is the President and Chief Operating Officer of FAI. She is also the Chairperson of Filinvest Corporate City Association, Inc. Prior to joining Filinvest, she worked with Arthaland Corporation as Senior Vice President. She obtained her Master's Degree in Business Administration from the Asian Institute of Management in 1993. Ms. Ilagan has been a director of the Club since 2014.

**5. MANOLITO F. GONZALES – INDEPENDENT DIRECTOR**

Mr. Gonzales, 76, Filipino, is the President of Rnuable Energy Corporation from 2013 to present, Board Member of the Shang Grand Tower Condominium Corporation in 2007 and Board Member of the Foundation of our Lady of Peace Mission since 1989. He was a member of the Club since 2001 and was first elected as independent director of the Club in 2015.

**6. JOAQUIN P. ROA – INDEPENDENT DIRECTOR**

Mr. Roa, 67, Filipino, is a licensed real estate broker and has held management positions in various corporations in the Philippines and Vietnam. He served as Senior Vice President of Grepalife from 1999 to 2002, Vice President/General Manager of Vietnam Motors from 1992



to 1999, and Vice President - Marketing of Philippine Fuji Xerox from 1980 to 1992. He obtained his Bachelor of Science in Electrical Engineering degree from the University of the Philippines. He has been a member of the Club since 2001. He was first elected as independent director of the Club in September 2018.

#### 7. JOSEPHINE L. LAGDAMEO – INDEPENDENT DIRECTOR

Ms. Lagdameo, 57, Filipino, was among the pioneer team of The Palms Country Club, Inc. and was Membership Manager from 2000 to 2004. Previous to the club, she was with the Rustan Group of Companies as Corporate Sales Manager of Rustan Commercial Corp. from 1988 to 1995, and Institutional Sales Manager of Royal Duty Free Shops from 1995 to 2000. She was Deputy Director for Sales of Discovery Primea Residences from 2008 to 2018. She is a member of the Assumption Alumnae Association and served on the Board of Trustees from 2009 to 2016. She obtained her Bachelor of Arts in Philippine Studies degree from the University of the Philippines. She has been a member of The Palms Country Club, Inc. since 2001.

#### 8. ANA VENUS A. MEJIA - TREASURER

Ms. Mejia, 57, Filipino, has been with the Filinvest Group of Companies ("Filinvest") for more than 25 years, joining in 1996 as Assistant Controller of FDC and has served the Group in various capacities. At present, she is the First Senior Vice President, Treasurer, Chief Finance Officer and Compliance Officer of FLI. She was appointed as Treasurer of the Club in 2012. Prior to joining Filinvest, she worked with Shoemart and Sycip, Gorres, Velayo & Company. She is a Certified Public Accountant and a Magna Cum Laude from Pamantasan ng Lungsod ng Maynila. She obtained her Master's Degree from Kellogg School of Management at Northwestern University and School of Business and Management, The Hongkong University of Science and Technology.

#### 9. LINDEZA R. ROGERO-GAVINO - Corporate Secretary

Ms. Rogero-Gavino, 53, Filipino, was appointed as TPCCI Corporate Secretary and Corporate Information Officer on December 07, 2022. She served formerly as the Corporate Secretary & Compliance Officer of the Philippine Postal Corporation. She was previously the Director of the Cebu Extension Office of the Securities & Exchange Commission. She is currently the Corporate Governance Head of Filinvest Development Corporation. She obtained her Bachelor of Arts degree major in Economics from the University of San Carlos in Cebu and her Bachelor of Laws degree from the University of the Philippines Diliman.

#### 10. MA. RUIZA R. HERNANE - Assistant Corporate Secretary

Ms. Hernane, 41, Filipino, was appointed as TPCCI Assistant Corporate Secretary on December 07, 2022. She was the former legal counsel, acting corporate secretary and acting compliance officer of Leisure & Resorts World Corporation. She is currently the Tax Legal Head of Filinvest Development Corporation. She has more than ten (10) years of experience in the practice of corporate and tax laws. Ruiza graduated at University of Philippines in 2001 where she took up BA History and thereafter pursued her law degree in Ateneo De Davao University in 2007.

#### 11. HANS RUDOLF NEUKOM - GENERAL MANAGER

Mr. Neukom, 59, Swiss, was the Executive Chef of the American Club Shanghai in China. He has been working in the food industry for almost 20 years now since the start of his apprenticeship and spent most of his culinary years in Asia. He was appointed as the Executive Chef of the Club in 2002 and as General Manager in 2010.

Executive officers of the Club are appointed or elected annually by the Board of Directors, typically at its first meeting following the annual meeting of the stockholders, each to hold office until the

corresponding meeting of the Board of Directors in the next year or until a successor shall have been elected or appointed, and duly qualified.

#### **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

There is no transaction during the last two (2) years, or any proposed transaction, to which the Club was or is to be a party, in which any director or officer of the Club, any nominee for election as a director, any security holder or any member of the immediate family of any of the persons mentioned in the foregoing, had or is to have a direct or indirect material interest.

The Club seeks legal advice from the law firm of Sycip Salazar Hernandez & Gatmaitan from time to time and pays the said firm professional fees charged by the latter for the services rendered.

#### **OTHER SIGNIFICANT EMPLOYEES**

The Club considers all its employees as significant to the growth of the Club.

#### **FAMILY RELATIONSHIPS**

The club is majority-owned by FAI. Mr. Francis Nathaniel C. Gotianun, President/CEO and Andrew Gerard D. Gotianun III, Director, are first cousins. None of the remaining directors or executive officers is related, whether by consanguinity or affinity, with the others.

#### **INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS**

The Club is not aware of the occurrence of any of the following events within the past five years up to the date of this annual report: (a) any bankruptcy petition filed by or against any business in which any of its directors or officers was a general partner or officer either at the time of the bankruptcy or within two years prior to that time; (b) any conviction by final judgment in a criminal proceeding, domestic or foreign, of, or any criminal proceeding, domestic or foreign, pending against, any of its directors or officers in his capacity as such director or officer; (c) any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of its directors or officers in any type of business, securities, commodities or banking activities, and (d) any finding by a domestic or foreign court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization that any of its directors or officers has violated a securities or commodities law, and the judgment has not been reversed, suspended or vacated, which occurred during the past five years.

No director has resigned or declined to stand for re-elections as member of the Board due to any disagreement with the Club on any matter relating to Club operations, policies or practices.

No person who is not an executive officer of the Club is expected to make significant contribution to the business.



**ITEM 10: EXECUTIVE COMPENSATION****Summary of Compensation Table (in Pesos)**

(a) Name and Principal Position	(b) Year	(c) Salary (P)	(d) Bonus (P)	(e) Other Annual Compensation	TOTAL
Efren C. Gutierrez Chairman, President & CEO					n/a
Francis Nathaniel C. Gotianun Director					n/a
Andrew Gerald D. Gotianun III Director					n/a
Catherine A. Ilagan Director					n/a
Mr. Manolito F. Gonzales Independent Director					n/a
Mr. Joaquin P. Roa Independent Director					n/a
Mr. Josephine L. Lagdameo Independent Director					n/a
All other officers and directors as a group unnamed	2023-Est.	5.4 Million	-	2.0 Million	7.4 Million
	2022	4.9 Million	-	2.3 Million	7.2 Million
	2021	4.9 Million	-	2.1 Million	7.0 Million

The directors of the Club received no per diem, remuneration or compensation in their capacity as such for the years 2019, 2020 and 2021. There is no employment contract or contracts relative to payment of executive compensation to the directors of the Club to date, whether directly or indirectly.

There are no agreements between the Club and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Club's retirement plan.

**ITEM 11: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

As of December 31, 2022, FAI has a total of 2,589 common no par value shares of stock of the Club, of which 296 are available for sale to third parties. Breakdown of shares owned by FAI are as follows:

<b>Share Category</b>	<b>No. of shares</b>
Class "A" (Individual/Corporate A) Shares	12
Class "B" (Corporate B) Shares	186
Class "C" (Corporate C) Shares	<u>98</u>
<i>Sub-total (no. of shares to be sold)</i>	296
Class "D" Shares (including the initial one common share) (not for sale)	<u>2,293</u>
Total	<u>2,599</u>



**Security Ownership of Certain Record and Beneficial Owners as of December 31, 2021**

<b>Title of Class of Securities</b>	<b>Name/ Address</b>	<b>Amount and Nature of Record / Beneficial Ownership</b>	<b>Citizenship</b>	<b>% of Ownership</b>
Common	Filinvest Alabang, Inc. <sup>1</sup> Vector 1 Building Northgate Cyberzone Filinvest City, Alabang Muntinlupa City	2,589	Filipino	56.28%

Except as stated above, the Board and management of the Club have no knowledge of any person who, as of date of this report, is directly or indirectly the beneficial owner of more than 5% of the Club's outstanding shares of common stock or who has voting power or investment power with respect to shares comprising more than 5% of its outstanding common stock.

**Security Ownership of Management as of December 31, 2022**

<b>Title of Class of Securities</b>	<b>Name</b>	<b>Citizenship</b>	<b>Amount and Nature Of Ownership</b>	<b>% of Ownership</b>
Common	Efren C. Gutierrez c/o 1410 Laguna Heights Drive, Filinvest City, Alabang, Muntinlupa City	Filipino	1	-
Common	Francis Nathaniel C. Gotianun c/o 1410 Laguna Heights Drive, Filinvest City, Alabang, Muntinlupa City	Filipino	1	-
Common	Andrew Gerard D. Gotianun III c/o 1410 Laguna Heights Drive, Filinvest City, Alabang, Muntinlupa City	Filipino	1	-
Common	Catherine A. Ilagan c/o 1410 Laguna Heights Drive, Filinvest City, Alabang, Muntinlupa City	Filipino	1	-
Common	Manolito F. Gonzales c/o 1410 Laguna Heights Drive, Filinvest City, Alabang, Muntinlupa City	Filipino	1	-
Common	Joaquin P. Roa c/o 1410 Laguna Heights Drive, Filinvest City, Alabang, Muntinlupa City	Filipino	1	-
Common	Josephine Lagdameo c/o 1410 Laguna Heights Drive, Filinvest City, Alabang, Muntinlupa City	Filipino	1	-

<sup>1</sup> Filinvest Alabang, Inc. is a domestic corporation majority-owned by Filinvest Development Corporation and Filinvest Land, Inc.

## PART IV – CORPORATE GOVERNANCE

Consistent with the Club's Revised Manual for Corporate Governance, directors and officers are designated to comprise the various committees of the Club. These include the executive, audit, nomination and compensation committees which were formed to aid in good corporate governance by providing support to the Board in the performance of specific functions.

The Club is in substantial compliance with its Revised Manual for Corporate Governance as demonstrated by the following: (a) the election of three (3) independent directors to the Board; (b) the appointment of directors and officers as members of the executive, audit, nomination and compensation committees of the Club; the conduct of regular quarterly board meetings and special meetings and the faithful attendance of the directors at these meetings and their proper discharge of duties and responsibilities as such directors; (c) the submission to the SEC of structured reports and disclosures required under the Securities Regulation Code; (d) the Club's adherence to national and local laws pertaining to its operations; and (e) the observance of applicable accounting standards by the Club.

In order to keep itself abreast with the leading practices on corporate governance, the Club encourages the members of top level management and the Board to attend and participate at seminars on corporate governance initiated by accredited institutions.

The Club welcomes proposals, especially from institutions and entities such as the SEC, to improve corporate governance.

There is no known material deviation from the Club's Revised Manual on Corporate Governance.

## PART V – EXHIBITS

### Reports on SEC Form 17-C

	Date Filed	Contents
1	March 16, 2022	Atty. Sharon P. Pagaling-Refuerzo resigned as an employee of Filinvest Land, Inc. effective March 18, 2022. She also tendered her resignation as Corporate secretary of the Palms country Club, Inc. effective March 16, 2022.
2	October 4, 2022	Matters taken up during the Annual Shareholders' Meeting held on October 4, 2022. <ul style="list-style-type: none"><li>• Approval of the Minutes of the Annual Shareholders' Meeting held on September 27, 2021</li><li>• Ratification of the Audited Financial Statements for the year ended December 31, 2021</li><li>• Ratification of all the acts, resolutions and proceedings of the Board of Directors, Board committees and Management up to October 4, 2022</li><li>• Re-appointment of Sycip Gorres and Velayo &amp; Co. as external auditor for the year 2023</li></ul> Also, at the said shareholders' meeting, the following were elected as members of the Board of Directors of the Club to serve for the




		<p>2022-2023 and until their successor shall have been elected and qualified:</p> <ol style="list-style-type: none"> <li>1. Efren C. Gutierrez</li> <li>2. Francis Nathaniel C. Gotianun</li> <li>3. Catherine A. Ilagan</li> <li>4. Andrew Gerard A. Gotianun III</li> <li>5. Manolito F. Gonzales (Independent Director)</li> <li>6. Joaquin P. Roa (Independent Director)</li> <li>7. Josephine L. Lagdameo (Independent Director)</li> </ol> <p>The amendment of Article Third of the Club's Articles of Incorporation to change the principal address from "Metro Manila" to 1410 Laguna Height Drive, Filinvest City, Alabang, Muntinlupa City" was included as part of the agenda of the Annual Shareholders' Meeting. The amendment of Article Third of the Club's Articles of Incorporation requires the approval of at least 66.67% of the outstanding shares of the Club. However, considering that less than 66.67% attended the shareholders' meeting, the said agenda item was not approved and passed for insufficient votes.</p>
3	October 4, 2022	<p>At the organizational meeting of the Palms Country Club, Inc. (the "Board") appointed the following officers of the Club to serve for the year 2022-2023 and until their successors shall have been elected and qualified:</p> <ul style="list-style-type: none"> <li>• Chairman of the Board      Efren C. Gutierrez</li> <li>• President &amp; CEO              Francis Nathaniel C. Gotianun</li> <li>• Treasurer &amp; Compliance Officer      Ana Venus A. Mejia</li> <li>• Asst. Corporate Secretary      Katrina O. Clemente-Lua</li> <li>• General Manager              Hans Rudolf Neukom</li> <li>• Financial Controller              Mitzi C. Chuidian</li> </ul> <p>The Board also appointed Mr. Manolito F. Gonzales as its Lead Independent Director.</p> <p>After its reorganization, the Board constituted the following committees with their respective Chairmen and members:</p> <ul style="list-style-type: none"> <li>• Executive Committee <ul style="list-style-type: none"> <li>Chairman      Francis Nathaniel C. Gotianun</li> <li>Members      Efren C. Gutierrez Catherine A. Ilagan Andrew Gerard A. Gotianun III Hans Rudolf Neukom</li> </ul> </li> <li>• Audit &amp; Risk Management Oversight Committee <ul style="list-style-type: none"> <li>Chairman      Manolito F. Gonzales</li> <li>Members      Efren C. Gutierrez Joaquin P. Roa</li> </ul> </li> <li>• Corporate Governance Committee</li> </ul>

		<p>Chairman Members</p> <p>Manolito F. Gonzales Efren C. Gutierrez Francis Nathaniel C. Gotianun Josephine L. Lagdameo Joaquin P. Roa</p> <ul style="list-style-type: none"> <li>• Compensation Committee</li> </ul> <p>Chairman Members</p> <p>Andrew Gerard Gotianun III Francis Nathaniel C. Gotianun Efren C. Gutierrez Manolito F. Gonzales</p>						
4	December 7, 2022	<p>The Board of Directors approved the appointment of the following officers of the Club to serve for the remainder of the year 2022-2023 and until their successors shall have been appointed and qualified.</p> <table> <thead> <tr> <th>Position</th> <th>Name</th> </tr> </thead> <tbody> <tr> <td>Corporate Secretary</td> <td>Atty. Lindeza R. Rogero-Gavino</td> </tr> <tr> <td>Assistant Corporate Secretary</td> <td>Atty. Ms. Ruiza R. Hernane</td> </tr> </tbody> </table>	Position	Name	Corporate Secretary	Atty. Lindeza R. Rogero-Gavino	Assistant Corporate Secretary	Atty. Ms. Ruiza R. Hernane
Position	Name							
Corporate Secretary	Atty. Lindeza R. Rogero-Gavino							
Assistant Corporate Secretary	Atty. Ms. Ruiza R. Hernane							

### SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of The Palms Country Club, Inc. by the undersigned, thereunto duly authorized, in the City of Muntinlupa on May 3, 2023.

By:   
**FRANCIS NATHANIEL C. GOTIANUN**  
 President and CEO

  
**MA. RUIZA R. HERNANE**  
 Assistant Corporate Secretary

  
**HANS RUDOLF NEUKOM**  
 General Manager

  
**MITZI C. CHUIDIAN**  
 Financial Controller



MAY 04 2023

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_, affiants exhibiting to me their respective identification as follows:

Names	Identification	Number	Valid Until
Francis Nathaniel C. Gotianu	Passport	P3161179B	9/11/2029
Ma. Ruiza R Hernane	Passport	P2459690B	7/5/2029
Hans Rudolf Neukom	Driver's License	X01-98-038113	5/07/2032
Mitzi C. Chuidian	Driver's License	N26-04-067775	10/12/2024

NOTARY PUBLIC

PATRICIO L. BORCAYAO, JR.  
Notary Public

2nd Floor, KLC Bldg., Rotonda,  
Muntinlupa City

91-04-0088 ONMTC Compliance No. VII-0015678

96786 ONMTC Compliance No. VII-0015678

189-44-1211 ONMTC Compliance No. 019681; 11-06-15; Pasay City

96786 ONMTC Compliance No. 4347541; 01-03-23; Muntinlupa City

96786 ONMTC Compliance No. 019681; 11-06-15; Pasay City

96786 ONMTC Compliance No. VII-0015678

96786 ONMTC Compliance No. VII-0015678

2nd Floor, KLC Bldg., Rotonda,  
Muntinlupa City

Notary Public

PATRICIO L. BORCAYAO, JR.

Doc. No. 219  
Page No. 1  
Book No. 111  
Series of 2023.

# COVER SHEET

for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

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**COMPANY NAME**

T	H	E		P	A	L	M	S		C	O	U	N	T	R	Y		C	L	U	B	,		I	N	C	.		(	
A		N	o	t	-	F	o	r	-	P	r	o	f	i	t		C	o	r	p	o	r	a	t	i	o	n	)		

**PRINCIPAL OFFICE** (No. / Street / Barangay / City / Town / Province)

1	4	1	0		L	a	g	u	n	a		H	e	i	g	h	t	s		D	r	i	v	e	,		F	i	l	
i	n	v	e	s	t		C	i	t	y	,		A	l	a	b	a	n	g	,		M	u	n	t	i	n	l	u	
p	a				C	i	t	y																						

Form Type

A	A	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A
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**COMPANY INFORMATION**

Company's Email Address	Company's Telephone Number	Mobile Number
thepalmsclub.com	8771-7171	N/A
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,994	Last Monday of April	12/31

**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
Ms. Mitzi C. Chuidian	controller@thepalmsclub.com	8771-7171	0917-897-6422



**CONTACT PERSON'S ADDRESS**

**B10 L38 Orange St., Camella Springville North, Molino 3, Bacoor City, Cavite**

**NOTE 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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





## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
The Palms Country Club, Inc.  
1410 Laguna Heights Drive  
Filinvest City, Alabang, Muntinlupa City 1781

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of The Palms Country Club, Inc. (the Company), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2022, 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 Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRSs).

#### Basis for Opinion

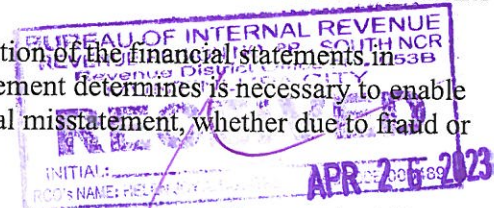
We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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



## Auditor's Responsibilities for the Audit 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 auditor's 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 audit. 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company 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 audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

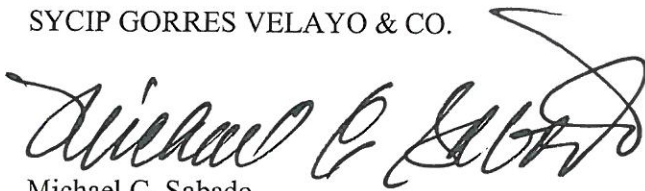




### Report on the Supplementary Information Required Under Revenue Regulations 15-2010

The supplementary information required under Revenue Regulations 15-2010 for purposes of filing with the Bureau of Internal Revenue is presented by the management of The Palms Country Club, Inc. in a separate schedule. Revenue Regulations 15-2010 requires the information to be presented in the notes to financial statements. Such information is not a required part of the basic financial statements. The information is also not required by Revised Securities Regulation Code Rule 68. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. Our opinion on the basic financial statements is not affected by the presentation of the information in a separate schedule.

SYCIP GORRES VELAYO & CO.



Michael C. Sabado

Partner

CPA Certificate No. 89336

Tax Identification No. 160-302-865

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 89336-SEC (Group A)

Valid to cover audit of 2022 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-073-2020, December 3, 2020, valid until December 2, 2023

PTR No. 9564691, January 3, 2023, Makati City

April 3, 2023

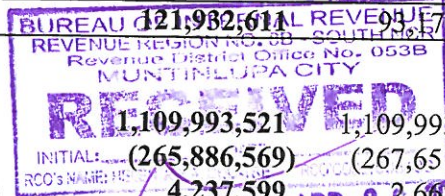


**THE PALMS COUNTRY CLUB, INC.**  
(A Not-for-Profit Corporation)

**STATEMENTS OF FINANCIAL POSITION**

	December 31	
	2022	2021
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 4, 10 and 18)	P83,460,727	P44,603,305
Short-term investment (Notes 4, 10 and 18)	33,867,175	33,798,791
Contract receivables (Notes 5, 10 and 18)	42,428,426	32,602,423
Inventories (Note 6)	14,054,371	9,657,673
Due from related parties (Notes 10 and 18)	2,617,892	618,725
Advances to suppliers	1,875,357	1,108,398
Other current assets (Note 7)	2,220,242	1,648,295
<b>Total Current Assets</b>	<b>180,524,190</b>	<b>124,037,610</b>
<b>Noncurrent Assets</b>		
Property and equipment (Notes 8 and 19)	788,222,128	811,956,148
Deferred input VAT	1,530,844	2,193,127
<b>Total Noncurrent Assets</b>	<b>789,752,972</b>	<b>814,149,275</b>
<b>TOTAL ASSETS</b>	<b>P970,277,162</b>	<b>P938,186,885</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts and other payables (Notes 9 and 18)	P64,347,427	P44,210,516
Contract liabilities (Note 9)	32,680,736	21,978,283
Due to related parties (Notes 10 and 18)	426,038	318,175
Lease liability - current portion (Notes 8, 18 and 19)	1,787,067	1,223,847
<b>Total Current Liabilities</b>	<b>99,241,268</b>	<b>67,730,821</b>
<b>Noncurrent Liabilities</b>		
Lease liability - net of current portion (Notes 8, 18 and 19)	13,736,294	15,523,361
Pension liability (Note 17)	8,955,049	9,922,492
<b>Total Noncurrent Liabilities</b>	<b>22,691,343</b>	<b>25,445,853</b>
<b>Total Liabilities</b>	<b>121,932,611</b>	<b>93,176,674</b>
<b>Equity</b>		
Capital stock (Note 11)	1,109,993,521	1,109,993,521
Accumulated deficiency of revenues over costs and expenses	(265,886,569)	(267,651,520)
Remeasurement gain on retirement plan - net of tax (Note 17)	4,237,599	2,668,210
<b>Total Equity</b>	<b>848,344,551</b>	<b>845,010,211</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P970,277,162</b>	<b>P938,186,885</b>

See accompanying Notes to Financial Statements.



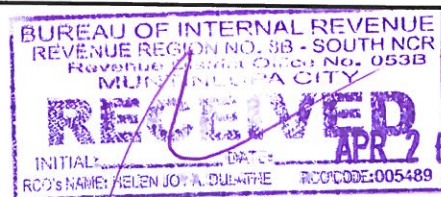


**THE PALMS COUNTRY CLUB, INC.**  
**(A Not-for-Profit Corporation)**

**STATEMENTS OF REVENUES AND EXPENSES**

	<b>Years Ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>REVENUES</b>			
Food and beverage	₱216,870,456	₱87,724,806	₱83,855,975
Membership dues	85,645,500	85,222,500	85,863,000
Sports and recreation	21,043,309	7,424,498	7,667,298
Club shop and other revenues (Note 12)	24,580,850	18,698,565	15,560,764
	<b>348,140,115</b>	<b>199,070,369</b>	<b>192,947,037</b>
<b>DIRECT COSTS</b> (Notes 6 and 13)	<b>243,208,453</b>	<b>124,733,043</b>	<b>120,342,335</b>
	<b>104,931,662</b>	<b>74,337,326</b>	<b>72,604,702</b>
<b>OPERATING EXPENSES</b> (Note 14)			
General and administrative	48,051,923	42,598,248	47,368,851
Depreciation (Note 8)	28,576,487	28,709,029	28,556,069
Housekeeping	13,385,346	7,919,807	8,635,813
Engineering	10,395,304	6,648,914	7,293,624
	<b>100,409,060</b>	<b>85,875,998</b>	<b>91,854,357</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER COSTS AND EXPENSES</b>	<b>4,522,602</b>	<b>(11,538,672)</b>	<b>(19,249,655)</b>
<b>OTHER INCOME</b> (Note 15)	<b>4,074,235</b>	<b>3,132,739</b>	<b>2,551,756</b>
<b>LEASE CHARGES</b> (Note 18)	<b>(6,240,153)</b>	<b>(6,625,866)</b>	<b>(6,890,017)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER COSTS AND EXPENSES BEFORE INCOME TAX</b>	<b>2,356,684</b>	<b>(15,031,799)</b>	<b>(23,587,916)</b>
<b>PROVISION FOR INCOME TAX</b> (Note 16)	<b>591,733</b>	<b>284,605</b>	<b>1,987,230</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER COSTS AND EXPENSES AND INCOME TAX</b>	<b>₱1,764,951</b>	<b>(₱15,316,404)</b>	<b>(₱25,575,146)</b>

See accompanying Notes to Financial Statements.



**THE PALMS COUNTRY CLUB, INC.**  
**(A Not-for-Profit Corporation)**

**STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2022	2021	2020
<b>EXCESS (DEFICIENCY) OF REVENUES OVER COSTS AND EXPENSES AND INCOME TAX</b>	<b>₱1,764,951</b>	<b>(₱15,316,404)</b>	<b>(₱25,575,146)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Item that will not be reclassified to revenue or expenses</b>			
Remeasurement gain (loss) on retirement plan - net of tax (Note 17)	<b>1,569,389</b>	<b>1,319,724</b>	<b>(1,395,846)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>₱3,334,340</b>	<b>(₱13,996,680)</b>	<b>(₱26,970,992)</b>

*See accompanying Notes to Financial Statements.*





**THE PALMS COUNTRY CLUB, INC.**  
**(A Not-for-Profit Corporation)**

**STATEMENTS OF CHANGES IN EQUITY**

	Capital Stock (Note 11)	Accumulated Deficiency of Revenues over Costs and Expenses	Remeasurement Gain on Retirement Plan - net of tax (Note 17)	Total
For the year ended December 31, 2022				
Balances at January 1, 2022	₱1,109,993,521	(₱267,651,520)	₱2,668,210	₱845,010,211
Comprehensive income				
Excess of revenues over costs and expenses and income tax	-	1,764,951	-	1,764,951
Other comprehensive income	-	-	1,569,389	1,569,389
<b>Total comprehensive income</b>	-	<b>1,764,951</b>	<b>1,569,389</b>	<b>3,334,340</b>
<b>Balances at December 31, 2022</b>	<b>₱1,109,993,521</b>	<b>(₱265,886,569)</b>	<b>₱4,237,599</b>	<b>₱848,344,551</b>
For the year ended December 31, 2021				
Balances at January 1, 2021	₱1,109,993,521	(₱252,335,116)	₱1,348,486	₱859,006,891
Comprehensive income				
Deficiency of revenues over costs and expenses and income tax	-	(15,316,404)	-	(15,316,404)
Other comprehensive loss	-	-	1,319,724	1,319,724
<b>Total comprehensive loss</b>	-	<b>(15,316,404)</b>	<b>1,319,724</b>	<b>(13,996,680)</b>
<b>Balances at December 31, 2021</b>	<b>₱1,109,993,521</b>	<b>(₱267,651,520)</b>	<b>₱2,668,210</b>	<b>₱845,010,211</b>
For the year ended December 31, 2020				
Balances at January 1, 2020	₱1,109,993,521	(₱226,759,970)	₱2,744,332	₱885,977,883
Comprehensive income				
Deficiency of revenues over costs and expenses and income tax	-	(25,575,146)	-	(25,575,146)
Other comprehensive loss	-	-	(1,395,846)	(1,395,846)
<b>Total comprehensive loss</b>	-	<b>(25,575,146)</b>	<b>(1,395,846)</b>	<b>(26,970,992)</b>
<b>Balances at December 31, 2020</b>	<b>₱1,109,993,521</b>	<b>(₱252,335,116)</b>	<b>₱1,348,486</b>	<b>₱859,006,891</b>

See accompanying Notes to Financial Statements.



**THE PALMS COUNTRY CLUB, INC.**  
**(A Not-for-Profit Corporation)**

**STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2022	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Excess (deficiency) of revenues over costs and expenses before income tax	P2,356,684	(P15,031,799)	(P23,587,916)
Adjustments for:			
Depreciation and amortization (Notes 13 and 14)	30,080,513	30,220,031	30,059,021
Finance costs (Note 19)	6,240,153	6,625,866	6,890,017
Net change in pension liability (Note 17)	1,125,076	1,455,219	881,020
Gain on disposals of property and equipment (Note 8)	(170,000)	-	(330,000)
Interest income (Notes 4, 10 and 15)	(376,893)	(110,606)	(1,038,070)
Operating income before changes in operating assets and liabilities	39,255,533	23,158,711	12,874,072
Changes in operating assets and liabilities			
Decrease (increase) in:			
Contract receivables	(9,826,003)	(5,718,969)	9,785,952
Due from related parties	(1,999,167)	(164,725)	1,576,683
Inventories	(4,396,698)	(605,625)	2,990,093
Other current assets	(1,338,906)	(2,414,291)	(3,595,302)
Deferred input VAT	662,283	(1,428,468)	539,759
Increase (decrease) in:			
Accounts and other payables	20,136,911	(6,558,130)	(33,041,211)
Due to related parties	107,863	17,455	(295,515)
Contract liabilities	10,702,453	(117,746)	343,977
Net cash generated from (used in) operations	53,304,269	6,168,212	(8,821,492)
Interest received (Notes 4, 10 and 15)	376,893	110,606	1,038,070
Income tax paid (Note 16)	(1,114,863)	(724,513)	(1,389,010)
Net cash provided by (used in) operating activities	52,566,299	5,554,305	(9,172,432)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Increase in short-term investment (Note 4)	(68,384)	(295,030)	(33,503,762)
Proceeds from disposal of property and equipment (Note 8)	170,000	-	330,000
Payment for the acquisition of property and equipment (Note 8)	(6,346,493)	(3,982,497)	(3,284,263)
Net cash used in investing activities	(6,244,877)	(4,277,527)	(36,458,025)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments of obligation under finance lease (Note 19)	(7,464,000)	(7,464,000)	(7,464,000)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	38,857,422	(6,187,222)	(53,094,457)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	44,603,305	50,790,526	103,884,983
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)</b>	P83,460,727	P44,603,305	P50,790,526

See accompanying Notes to Financial Statements.





# THE PALMS COUNTRY CLUB, INC.

(A Not-for-Profit Corporation)

## NOTES TO FINANCIAL STATEMENTS

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### 1. Corporate Information

The Palms Country Club, Inc. (the Club) was registered with the Philippine Securities and Exchange Commission (SEC) on May 24, 2000 with expiration of its corporate life fifty (50) years thereafter to operate as a not-for-profit corporation. The Club's main purpose is the maintenance and operation of indoor and outdoor recreational facilities, restaurants and dining halls for the use and enjoyment of its members. No part of the income or asset of the Club shall belong or inure to the benefit of any member, officer or specific person.

The Club's registered address and principal place of business is at 1410 Laguna Heights Drive, Filinvest Corporate City, Alabang, Muntinlupa City.

The Club's accompanying financial statements were approved and authorized for issue by the Board of Directors (BOD) on April 3, 2023.

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### 2. Summary of Significant Accounting Policies

#### Basis of Preparation

The accompanying financial statements of the Club have been prepared using historical cost basis. The financial statements are presented in Philippine Peso (₱), which is also the Club's functional currency. Except when otherwise indicated, all amounts are rounded off to the nearest Peso.

The financial statements provide comparative information in respect of the previous period. The accompanying financial statements have been prepared under the going concern assumption. The Club believes that its business would remain relevant despite challenges posed by the COVID-19 pandemic.

#### Statement of Compliance

The accompanying financial statements of the Club have been prepared in compliance with Philippine Financial Reporting Standards (PFRS), Philippine Accounting Standards (PAS), and interpretations issued by the Philippine Interpretations Committee (PIC).

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2022. Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Club.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.



At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

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

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent’s financial statements, based on the parent’s date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

- Amendments to PFRS 9, *Financial Instruments, Fees in the ‘10 per cent’ test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.





#### Standard 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 will 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, 2023*

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

#### *Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

#### *Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

#### *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

##### Current versus Noncurrent Classification

The Club presents assets and liabilities in its statement of financial position based on a current and noncurrent classification. An asset is current when it is:

- a. expected to be realized or intended to be sold or consumed in normal operating cycle;
- b. held primarily for the purpose of trading;
- c. expected to be realized within twelve (12) months after the reporting period; or
- d. cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- a. it is expected to be settled in normal operating cycle;
- b. it is held primarily for the purpose of trading;
- c. it is due to be settled within twelve (12) months after the reporting period, or
- d. there is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the reporting period.

The Club classifies all other liabilities as noncurrent.

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



#### Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash in bank earns interest at the prevailing bank deposit rate. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and that are subject to an insignificant risk of change in value.

#### 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.

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.

#### Fair Value Hierarchy of Financial Instruments Recognized at Fair Value

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.

#### Financial Instruments

Financial assets and liabilities are recognized in the statement of financial position when, and only when, the Club becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery or assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

#### Recognition and Measurement of Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.





### *Financial Assets*

#### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as either subsequently measured at amortized cost, at FVTOCI, or at FVTPL.

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 FVPL, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or at FVTOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' on the principal amount outstanding. This assessment is referred to as the 'solely payments of principal and interest 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.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Club commits to purchase or sell the asset.

As of December 31, 2022 and 2021, the Club's financial assets comprise of financial assets at amortized cost.

#### *Subsequent measurement*

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

- the asset is held within the Club's business model whose objective is to hold assets in order to collect contractual cash flows; and,
- the contractual terms of the instrument 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 costs are subsequently measured at amortized cost using the effective interest rate (EIR) method less any impairment in value, with the interest calculated recognized as interest income in the statement of revenues and expenses.

The Club classified cash, contract receivables and due from related parties as financial assets at amortized cost (see Note 4, 5, 10 and 18).

#### *Reclassification of financial assets*

The Club can reclassify financial assets if the objective of its business model for managing those financial assets changes. The Club is required to reclassify the following financial assets:

- from amortized cost to FVTPL if the objective of the business model changes so that the amortized cost criteria are no longer met; and,
- from FVTPL to amortized cost if the objective of the business model changes so that the amortized cost criteria start to be met and the instrument's contractual cash flows meet the amortized cost criteria.



Reclassification of financial assets designated as at FVTPL at initial recognition is not permitted.

A change in the objective of the Club's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

#### *Financial liabilities*

##### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, 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.

As of December 31, 2022 and 2021, the Club's financial liabilities comprise financial liabilities at amortized cost (loans and borrowings).

##### *Subsequent measurement*

After initial recognition, interest-bearing loans and borrowings 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. The EIR amortization is included as finance costs in the statement of revenues and expenses.

#### 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.

For cash, 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. The Club also evaluates the credit rating of the bank and other financial institutions to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs. 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 lifetime ECL.

The Club applies a simplified approach in calculating ECLs for financial assets at amortized costs. Therefore, the Club does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Club has established a provision matrix for its contract receivables that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For due from related parties, 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 considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Club may also consider a financial asset to be in default when internal or external information indicates that the Club is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Club. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### Derecognition of Financial Assets and Financial Liabilities

##### *Financial assets*

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 Club's statement 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.

##### *Financial liabilities*

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

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

#### Offsetting Financial Instruments

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Club intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, where the related assets and liabilities are presented at gross in the statement of financial position.



Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. Cost includes purchase price, freight and handling costs and is determined using the first-in, first-out method.

Other Current Assets

Other current assets pertain to advances to suppliers, creditable withholding taxes, and other current assets such as prepayments and deposits which controlled by the Club as a result of past events and from which future economic benefits are expected to flow to the Club within one (1) year after the reporting period.

Property and Equipment

Property and equipment consist of land, land improvements, building, and sports, kitchen and other facilities and equipment. Except for land, the Club's property and equipment are stated at cost, less accumulated depreciation and any impairment in value. Land is stated at cost, less any impairment in value. The initial cost of property and equipment consists of 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, including borrowing cost.

Expenditures incurred after the assets have been put into operation, such as repairs and maintenance, are normally charged to operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the 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 an additional cost of property and equipment.

Depreciation is calculated on a straight-line basis over the estimated useful lives (EUL) of the assets, as follows:

	Years
Land improvements	10
Building	40
Sports, kitchen and other facilities and equipment	5-20

The useful lives and depreciation method are reviewed periodically 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 an item of property and equipment is derecognized, the cost of the related accumulated depreciation and accumulated impairment loss, if any, is removed from the account. 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 the statement of revenues and expenses in the year the asset is derecognized.





#### Other Noncurrent Assets

Other noncurrent assets include operating equipment that are carried at cost, less any impairment. Operating equipment is expensed ratably to the appropriate department expense account over its period of consumption.

#### Impairment of Nonfinancial Assets

The Club assesses at each reporting date whether there is indication that its nonfinancial assets (i.e., property and equipment and other noncurrent assets) 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 (CGU) fair value less costs to sell 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, in which case the recoverable amount is assessed as part of the CGU to which it belongs. When 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. In determining fair value less cost to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples and other available fair value indicators. An impairment loss is charged to operations in the year it arises.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is credited to current operations.

#### Leases

##### *Club as lessor*

Leases where the Club does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Rental income on operating leases is recognized on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income (see Note 19).

##### *Club as lessee*

Except for short-term leases and lease of low-value assets, the Club applies a single recognition and measurement approach for all leases. A finance lease is a 'lease that transfers substantially all the risks and rewards incidental to ownership of an asset', and an operating lease is 'a lease other than a finance lease', i.e. a lease that does not transfer substantially all the risks and rewards incidental to ownership.

The Club's classification of a lease depends on the substance of the transaction rather than the form of the contract. The following situations individually or in combination would normally lead to a lease being classified as a finance lease:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised (frequently called a 'bargain purchase' option);
- the lease term is for the major part of the economic life of the asset even if title is not transferred;



- at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- the leased assets are of a specialized nature such that only the lessee can use them without major modifications being made.

The Club recognized its finance lease as assets and liabilities in its statements of financial position at the commencement of the lease term at amounts equal to the fair value of the leased item or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. In calculating the present value of the minimum lease payments, the discount factor is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate should be used. Any initial direct costs of the lessee are added to the recognized asset. At commencement, both asset and liability are recognized separately, with an appropriate distinction between current and non-current liabilities being made.

Lease payments made are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge should be allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. As of December 31, 2022 and 2021, the Club recognized interest expense in relation to finance lease amounting to ₱6.24 million and ₱6.63 million, respectively (see Note 19).

#### Retirement Costs

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit obligations comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurement of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of revenues and expenses. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by an independent qualified actuary.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of revenues and expenses.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income (OCI) in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.





Equity

Capital stock with no par or stated value is measured at the amount of total contributions received.

Accumulated deficiency of revenues and membership dues over costs and expenses and income tax represents accumulated net losses and earnings and any adjustment arising from application of new accounting standards, policies or corrections of errors applied retroactively by the Club.

OCI

OCI are items of income and expense that are not recognized in profit or loss for the year in accordance with PFRS. The Club's OCI pertains to remeasurement adjustments on its pension liability.

Revenue recognition

The Club primarily derives its revenues from membership dues, sale of food and beverage, sports and recreation and Club shop and other operating department revenues.

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. The Club assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Club has generally concluded that it is acting as principal in all of its revenue arrangements.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

*Club Revenues*

The Club revenues consist of revenue from membership dues, sale of food and beverage, sports and recreation, and other Club shop and other operating department revenues. These are accounted for as follows:

*Membership dues*

Revenue from membership dues is recognized over the time the related services are rendered and/or facilities and amenities are used. Transaction price is determined to be the approved monthly membership rate by the BOD. Each is considered as a single performance obligation; therefore, it is not necessary to allocate the transaction price. The service is capable of being distinct from the other services and the transaction price for each service is separately identifiable. Revenue is recognized over the time the related services and/or facilities and amenities are used since the customer simultaneously receives and consumes services provided by the Club.

Membership dues are billed one month in advance and are recognized in the statement of revenues and expenses over the period when these are due.

Collections for accounts which are not yet due and therefore do not qualify for revenue recognition are recorded as "Contract liabilities" account in the current liabilities section of the statement of financial position.

*Food and beverage*

Revenue from sale of food and beverage is recognized at a point in time the goods are served or delivered. Transaction price is determined to be the invoice amount and, each transaction is considered as a single performance obligation, therefore it is not necessary to allocate the transaction price. The goods are capable of being distinct from the other goods and the transaction price for each



good is separately identifiable. Revenue is recognized at a point in time when the related risks and rewards are transferred to the customer or actual possession is transferred.

#### *Sports and recreation*

Revenue from sports and recreation is recognized over the time the facilities and amenities are used. Transaction price is determined to be the invoice amount and, each transaction is considered as a single performance obligation, therefore it is not necessary to allocate the transaction price. The service is capable of being distinct from the other services and the transaction price for each service is separately identifiable. Revenue is recognized over the time the customer uses the facilities and amenities provided by the Club.

#### *Club shop*

Revenue from Club shop is recognized at a point in time the goods are served or delivered. Transaction price is determined to be the invoice amount and, each transaction is considered as a single performance obligation, therefore it is not necessary to allocate the transaction price. The goods is capable of being distinct from the other goods and the transaction price for each goods is separately identifiable. Revenue is recognized at a point in time when the related risks and rewards are transferred to the customer or actual possession is transferred.

#### Contract Balances

##### *Contract Receivables*

A receivable represents the Club's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

##### *Contract assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Club performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

##### *Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Club has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Club transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Club performs under the contract.

The contract liabilities also include payments received by the Club from the members for which revenue recognition has not yet commenced.

##### *Contract fulfillment assets*

Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Club firstly considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15.

If other standards are not applicable to contract fulfillment costs, the Club applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of this criteria requires the application of





judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

As of December 31, 2022 and 2021, the Club has no contract fulfillment assets.

#### *Cost of Club Operations*

Cost of Club operations pertains to expenses incurred in relation to sale of goods and rendering of services. These are recognized when incurred and measured at the amount paid or payable.

#### Other Revenue and Income Recognition

##### *Interest income*

Interest income are recognized as it accrues, using the effective interest rate method that is 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.

##### *Other income*

Other income comprise mainly of other food and beverage, membership dues and penalties for late payment. Income is recognized when the risks and rewards of the ownership of goods have passed to the buyer, normally at the time of sale and when the services are rendered.

#### Direct Costs and Operating Expenses

Direct costs and operating expenses are recognized in the statement of revenues and expenses when decreases in economic benefits during the accounting period in the form of outflows or depletion of assets or decrease of liabilities have arisen that can be measured reliably. Direct costs and operating expenses encompass losses as well as those expenses that arise in the course of ordinary activities of the Club. Direct costs are charged to statement of revenues and expenses when related revenue is recognized while operating expenses are recognized as incurred. Direct costs and operating expenses are generally measured at the amount paid or payable.

#### Income Taxes

##### *Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

##### *Deferred income tax*

Deferred income 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 income 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 tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and 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 carryforward benefits of MCIT and 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 profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.



Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted at the reporting date. Income tax relating to items recognized directly in equity are recognized in equity and not in the statement of revenues and expenses.

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

#### Value-added Tax (VAT)

Expenses and assets are recognized, net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable, to the taxation authority is included as part of receivables or payables in the statement of financial position.

#### Provisions

A provision is recognized only 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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each report date and adjusted to reflect the current best estimate.

#### Contingencies

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

#### Events after the Reporting Date

Any post year-end event up to the date of the auditor's report that provide additional information about the Club's position at the reporting date (adjusting event) is reflected in the financial statements. Any post year-end event that is not an adjusting event is disclosed, when material, in notes to the financial statements (see Note 21).

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### **3. Significant Accounting Judgments, Estimates and Use of Assumptions**

The preparation of the Club's financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Future events may occur which can cause the assumptions used in arriving at those estimates to change. The effects of any changes in judgments and estimates will be reflected in the financial statements as they become reasonably determinable. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.





### Judgment

In the process of applying the Club's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effects on the amounts recognized in the financial statements:

#### *Identification of contracts with customers under PFRS 15*

The Club applies PFRS 15 guidance to a portfolio of contracts with similar characteristics as the Club reasonably expects that the effects on the financial statements if applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts within that portfolio. Hence, the Club viewed each transaction receipt as one contract.

#### *Identifying performance obligations*

The Club identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Club's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

#### *Determining whether the Club is acting as a principal or agent*

The Club assesses its revenue arrangements against specific criteria in order to determine if it's acting as principal or agent. The following criteria indicate whether the Club is acting as a principal or an agent:

- The Club has the primary responsibility for providing services to the customer;
- The Club has latitude in establishing price, either directly or indirectly, for example by providing additional services; and,
- The Club bears the customer's credit risk for the amount receivable from the customer.

The Club has concluded that generally, it is acting as a principal in its revenue arrangements.

#### *Finance lease classifications - the Club as lessee*

The Club's classification of a lease depends on the substance of the transaction rather than the form of the contract. The following situations individually or in combination would normally lead to a lease being classified as a finance lease:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised (frequently called a 'bargain purchase' option);
- the lease term is for the major part of the economic life of the asset even if title is not transferred;
- at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- the leased assets are of a specialized nature such that only the lessee can use them without major modifications being made.

The Club has assessed its agreement with Engie Services for the installation, operation and maintenance of chilled water supply for the Club's air-conditioning system. The Club has concluded that it has acquired significantly all the risks and rewards of ownership of the equipment and accounted the agreement as a finance lease (see Note 19).



*Evaluation of impairment on nonfinancial assets*

The Club assesses asset impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Club considers the following factors, which could trigger an impairment review, as important:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and,
- Significant negative industry or economic trends.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Club is required to make estimates and assumptions that can materially affect the financial statements.

As of December 31, 2022 and 2021, the Club has assessed that no impairment indicators exist on its nonfinancial assets.

*Recognition of deferred tax assets*

The Club reviews the carrying amounts of deferred tax assets at each reporting date and reduces it to the extent that it is no longer probable that sufficient 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 future taxable profit to allow all or part of its deferred income tax assets to be utilized.

In 2022 and 2021, the Club recognized deferred tax asset on the carryforward benefits of NOLCO and contract liabilities but up to the extent only of the deferred tax liability on the temporary difference arising from the Club's finance lease transaction amounting ₱4.91 million and ₱4.60 million, respectively (see Note 16).

As of December 31, 2022 and 2021, the Club recognized deferred tax assets amounting to ₱4.91 million and ₱4.60 million, respectively. Since management believes that it is likely that the carryforward benefit of recognizing deferred tax assets may not be realized, the Club did not recognize deferred tax assets on the tax effect of the temporary differences related to provision for retirement expense, allowance for doubtful accounts, contract liabilities, NOLCO and MCIT amounting to ₱52.78 million and ₱55.89 million as of December 31, 2022 and 2021, respectively (see Note 16).

Use of Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

*Provision for expected credit losses of contract receivables*

The Club uses a provision matrix to calculate ECLs for contract receivables. The provision rates are based on days past due. The provision matrix is initially based on the Club's historical observed default rates. The Club calibrates the matrix to adjust the historical credit loss experienced with forward-looking information. At every financial reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.





The assessment of the correlation between historical observed default rates, forecast economic conditions (e.g., gross domestic product and inflation rate) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Club's historical credit loss experience and forecast of economic conditions may also not be representative of member's actual default in the future.

In assessing the provision for the year, the Club used interest and unemployment rates to adjust its historical data. The Club has considered the impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of expected credit loss. The changes in the gross carrying amount of receivables during the year and impact of COVID-19 pandemic did not materially affect the Club's allowance for expected credit loss.

As of December 31, 2022 and 2021, the allowance for expected credit loss amounted to ₱2.66 million (see Note 5).

*Estimating useful lives of property and equipment*

The Club estimates the useful lives of its property and equipment based on the period over which these assets are expected to be available for use. The EUL 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. There were no changes on the EUL of the property and equipment.

The carrying value of property and equipment amounted to ₱368.22 million and ₱391.96 million as of December 31, 2022 and 2021, respectively (see Note 8).

*Estimating pension liability*

The determination of the Club's obligation and cost of pension and other benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 18 and include, among others, discount rates and rates of salary increase. While the Club believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other obligations.

Pension liability as of December 31, 2022 and 2021 amounted to ₱8.96 million and ₱9.92 million, respectively (see Note 17).

**4. Cash and Cash Equivalents and Short-Term Investment**

	<b>2022</b>	2021
Cash in banks	<b>₱67,572,438</b>	₱28,787,076
Cash equivalent	<b>15,136,289</b>	15,064,229
Cash on hand	<b>752,000</b>	752,000
	<b>₱83,460,727</b>	44,603,305
Short-term investment	<b>₱33,867,175</b>	₱33,798,791

Cash in banks earn interest at the prevailing bank deposit rates.



Cash equivalents include short-term placement made during the year for period of three months based on the immediate cash requirements of the Club, and earn annual interest ranging from 0.25% to 0.65% and 0.25% to 0.30% in 2022 and 2021, respectively.

The short-term investment represents investment that are more than 90 days and earn interest at prevailing annual rates ranging from 0.25% to 1.00% in 2022 and 2021.

Interest income earned from cash in bank, cash equivalents and short-term investment amounted to ₱0.38 million, ₱0.11 million and ₱1.04 million in 2022, 2021 and 2020, respectively (see Notes 10 and 15).

There is no cash restriction on the Club's cash balances as at December 31, 2022 and 2021.

#### 5. Contract Receivables

	2022	2021
Receivables from		
Members	₱36,432,161	₱32,845,427
Banquet sales	5,523,610	776,512
Credit cards	1,519,674	314,256
Others	1,616,441	1,329,688
	45,091,886	35,265,883
Less expected credit loss	2,663,460	2,663,460
	<b>₱42,428,426</b>	<b>₱32,602,423</b>

These receivables are collectible within a year. Receivables from members are collateralized by a preferential lien on the Club shares owned by the member.

“Others” consists of advances made to employees for sickness and maternal benefits and other miscellaneous receivables which are collectible within a year.

No additional expected credit losses is recognized in 2022 and 2021.

#### 6. Inventories

	2022	2021
Food	₱10,530,846	₱6,442,166
Beverage	1,682,288	1,282,162
Operating supplies	1,586,704	1,654,540
Others	254,533	278,805
	<b>₱14,054,371</b>	<b>₱9,657,673</b>

“Others” represents items and other goods for sale in the Club shop and Palms Deli. As of December 31, 2022 and 2021, the inventories are stated at cost.

Cost of inventory charged to cost of sales amounted to ₱199.07 million, ₱49.31 million and ₱45.04 million in 2022, 2021 and 2020, respectively (see Note 13).





## 7. Other Current Assets

	2022	2021
Creditable withholding taxes	₱1,449,171	₱1,249,306
Others	771,071	398,989
	<b>₱2,220,242</b>	<b>₱1,648,295</b>

“Others” consists of deposits to health maintenance organization, deposit to suppliers, and advances to employees which are expected to be realized within one year.

## 8. Property and Equipment

	2022				Total
	Land	Land Improvements	Building	Sports, Kitchen and Other Facilities and Equipment	
Cost					
Balances at beginning of year	₱420,000,000	₱16,311,740	₱585,435,021	₱308,586,367	₱1,330,333,128
Additions	-	210,500	-	6,135,993	6,346,493
Disposal	-	-	-	(1,502,439)	(1,502,439)
Balances at end of year	420,000,000	₱16,522,240	585,435,021	313,219,921	1,335,177,182
Accumulated depreciation					
Balances at beginning of year	-	₱16,311,740	289,179,079	212,886,161	518,376,980
Depreciation (Notes 13 and 14)	-	2,247	14,703,818	15,374,448	30,080,513
Disposal	-	-	-	(1,502,439)	(1,502,439)
Balances at end of year	-	16,313,987	303,882,897	226,758,170	546,955,054
Net book value as of December 31	₱420,000,000	₱208,253	₱281,552,124	₱86,461,751	₱788,222,128

	2021				Total
	Land	Land Improvements	Building	Sports, Kitchen and Other Facilities and Equipment	
Cost					
Balances at beginning of year	₱420,000,000	₱16,311,740	₱585,435,021	₱286,379,539	₱1,308,126,300
Additions	-	-	-	3,982,497	3,982,497
Transfer from advances to suppliers	-	-	-	18,224,331	18,224,331
Balances at end of year	420,000,000	16,311,740	585,435,021	308,586,367	1,330,333,128
Accumulated depreciation					
Balances at beginning of year	-	16,311,740	274,280,612	197,564,596	488,156,948
Depreciation (Notes 13 and 14)	-	-	14,898,467	15,321,565	30,220,032
Balances at end of year	-	16,311,740	289,179,079	212,886,161	518,376,980
Net book value as of December 31	₱420,000,000	₱-	296,255,942	₱95,700,206	₱811,956,148

The land is the property that was ceded, transferred, assigned and delivered by Filinvest Alabang, Inc. (FAI, the developer) under the subscription agreement dated October 20, 2000, with the Club in exchange for 867 Class A shares, 115 Class B and 68 Class C shares, or a total of 1,050 shares valued at ₱400,000 per share.

The land with the area of 30,000 square meters valued at ₱14,000 per square meter was also developed by FAI in exchange for 1,033 Class A shares, 135 Class B shares and 82 Class C shares, or a total of 1,250 shares valued at ₱400,000 per share or ₱500.00 million



The Club's property and equipment includes the leased equipment from Engie Services (Philippines) amounting to ₱29.51 million and ₱31.57 million in 2022 and 2021, respectively. The agreement was entered into in 2016 which comprised of two (2) installations that will supply chilled water to the Club. Ownership of the installations will transfer to the Club upon the date of completion of testing and commissioning and upon termination or expiration of the agreement, which shall have a term of ten (10) years from the commencement date, respectively. This is included under "Sports, kitchen and other facilities and equipment" (see Note 19).

The Club recognized gain on disposal of property and equipment amounting to ₱0.17 million in 2022 and ₱0.33 million in 2021, nil in 2021.

## 9. Accounts and Other Payables and Contract Liabilities

Accounts and other payables consist of:

	2022	2021
Accounts payable (Note 18)	₱25,154,257	₱15,070,613
Accrued expenses		
Payroll	14,823,318	10,343,451
Utilities and others	11,924,576	9,966,135
Outside services	2,227,614	2,570,974
Others	1,181,927	532,969
Deposits	3,935,735	1,755,070
Members' cash bond	5,100,000	3,971,304
	<b>₱64,347,427</b>	<b>₱44,210,516</b>

"Accounts payable" mainly consists of payables to suppliers for various acquisitions of food and beverages used in the normal operations of the Club, acquisitions of services and other assets and are normally paid within one year.

"Others" under "Accrued expenses" includes accruals for the following operating expenses, but are not limited to, unapplied service charges and consigned merchandises, and are normally paid within one (1) year.

"Deposits" mainly pertains to various deposits from suppliers and bank credits.

"Members' cash bond" pertains to cash receipts from assignees for a specific period of time. This is renewable at the end of the assignment contract which is usually on an annual basis.

### Contract liabilities

This account consists of:

	2022	2021
Membership dues received in advance	₱30,647,350	₱20,726,500
Banquet deposits	2,033,386	1,251,783
	<b>₱32,680,736</b>	<b>₱21,978,283</b>





Membership dues received in advance are recognized as income over the period when these are due.

Banquet deposits are recognized as revenue when the related services are rendered.

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## 10. Related Party Transactions

The Club has entered into various transactions with related parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence (referred to as affiliates). Related parties may be individuals or corporate entities.

### *Terms and Conditions of transactions with related parties*

The Club, in its regular conduct of business, has entered into transactions with related parties consisting receivables and payables in relation to the operating needs of the parties. These are based on terms agreed by the parties.

Outstanding balances at year-end are unsecured, noninterest-bearing, and unless otherwise indicated, settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. The Club does not provide any allowance relating to receivable from related parties in prior years. There are also no ECL recognized in current year for related party receivables since there are no history of default payments. This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

Significant related party transactions are as follows:

- a) The Club has trade receivables from its affiliates as members of the Club for which it bills monthly membership dues and use of facilities. These affiliates include entities affiliated with FAI, the developer.
- b) The Club maintains cash in bank accounts and short-term investment with a bank affiliated with FAI. Cash in bank accounts and short-term investment earn interest at the prevailing market rates (see Note 4).
- c) The Club has obtained and made various advances for maintenance, utilities, payroll, and other expenses from and to FAI, its developer. The outstanding balances are presented under "Due to related parties" in the statements of financial position.



The details of the account balances and transactions with related parties are as follows:

		2022			
		Amount/ Volume	Asset/ (Liability)	Term	Condition
<b>Affiliates</b>					
a)	Membership dues	₱3,500	₱242,202	Due every month; interest bearing	Unsecured
b)	Cash in banks and short-term investment (Note 4)	34,793,414	106,881,037	Due and demandable; interest bearing at prevailing market rate	Unsecured; unrestricted
b)	Interest income from banks	376,893	-		
c)	Due from related parties	1,999,167	2,617,892	Due and demandable; noninterest bearing	
<b>Developer</b>					
c)	Membership dues and use of facilities (Note 5)	3,500	195,690	Due every month; noninterest-bearing	Unsecured; unimpaired
c)	Utilities, payroll, maintenance expense and others	279,196	426,038	Due every month; noninterest-bearing	Unsecured
		2021			
		Amount/ Volume	Asset/ (Liability)	Term	Condition
<b>Affiliates</b>					
a)	Membership dues	₱3,500	₱245,000	Due every month; interest bearing	Unsecured; unimpaired
b)	Cash in banks and short-term investment (Note 4)	(8,613,057)	72,087,623	Due and demandable; interest bearing at prevailing market rate	Unsecured; unrestricted
b)	Interest income from banks	110,606	-		
c)	Due from related parties	(1,576,683)	618,725	Due and demandable; noninterest bearing	Unsecured
<b>Developer</b>					
c)	Membership dues and use of facilities (Note 5)	(₱45,275)	₱196,225	Due every month; noninterest-bearing	Unsecured; unimpaired
c)	Utilities, payroll, maintenance expense and others	(7,545)	(318,175)	Due every month; interest bearing	Unsecured; unimpaired

Compensation of key management personnel in the form of short-term employee benefits amounted to ₱7.00 million, ₱7.10 million and ₱7.02 million in 2022, 2021 and 2020, respectively.

## 11. Capital Stock

As of December 31, 2022, 2021 and 2020, the Club's authorized and fully paid capital stock consists of five classes of common, no par value shares, as follows:

	Shares	Amount
Class A shares	1,900	₱915,109,926
Class B shares	250	120,270,900
Class C shares	150	72,312,695
Class D shares	2,293	2,293,000
Founders' shares	7	7,000
	4,600	₱1,109,993,521





All classes of shares entitle the holders to one vote for each share in any and all regular and special meetings of shareholders.

Class A shares are available to natural persons and entitle the holder to membership in the Club and to the use and enjoyment of the Club's facilities. Class A shares are likewise available to juridical persons and entitle the holders to name one nominee for membership in the Club and to use and enjoy the facilities of the Club.

Class B shares are available only to juridical persons and entitle the holder to name two nominees for membership in the Club and to use and enjoy the facilities of the Club.

Class C shares are only available to juridical persons and entitle the holder to name three nominees for membership in the Club and to use and enjoy the facilities of the Club.

Holders of Class D shares are not entitled to the use and enjoyment of the Club's facilities. Correspondingly, Class D shares are to be excluded in the computation and assessment of membership fees, dues and other payments relative to the operation and maintenance of the Club.

Upon liquidation of Class D shares, the holders will be reimbursed only to the extent of the original acquisition of the shares amounting to ₱2.30 million.

Founders' shares shall have the exclusive right to vote and be voted for in the election of directors for five years from and after the date of registration of the Articles of Incorporation. Thereafter, holders of Founders' shares shall have the same voting rights and privileges as holders of Class A shares.

The Club shall not issue shares of stock, which will reduce the stock ownership of Philippine citizens to less than 60% of the outstanding capital stock. No holder of any class of shares shall have any

The shares held by FAI and its respective nominees for the founders' shares or held by the Club are non-obligatory or participating.

On May 24, 2000, the SEC approved the registration of the 4,600 no par value shares.

Below is the summary of outstanding number of shares and holders of security as of December 31, 2022, 2021 and 2020:

<u>Year</u>	<u>Number of Shares Registered</u>	<u>Number of Holders of Securities as of Year End</u>
December 31, 2022	4,600	4,304
December 31, 2021	4,600	4,294
December 31, 2020	4,600	4,289

#### Capital Management

As a non-profit organization, the Club primarily relies on the issuance of club shares, fixed monthly membership dues from members and charges arising from usage of facilities such as the sports and dining facilities. These are the only sources of cash flows which the Club has to manage properly.

As of December 31, 2022 and 2021, the Club's primary source of capital is its total equity amounting to ₱848.34 million and ₱845.01 million, respectively.



## 12. Club Shop and Other Revenues

	2022	2021	2020
Transfer fees	<b>₱8,313,000</b>	₱9,785,000	₱7,243,000
Assignment fees	<b>4,790,054</b>	3,388,000	3,326,929
Deli merchandise	<b>3,049,611</b>	2,585,013	2,303,094
Club events	<b>3,018,917</b>	991,832	90,658
Corkage, room and equipment hire	<b>2,020,329</b>	452,560	446,556
Revenue from party packages	<b>1,007,359</b>	467,226	769,176
Merchandise sales	<b>886,058</b>	396,847	418,193
Consignment sales	<b>703,359</b>	333,757	341,702
Renomination fees	<b>630,000</b>	285,000	360,000
Visitors' pass	<b>146,250</b>	6,500	149,500
Others	<b>15,913</b>	6,830	111,956
	<b>₱24,580,850</b>	₱18,698,565	₱15,560,764

“Transfer fees” pertain to fees charged by the Club to process the transfer of shares to new members.

“Assignment fees” pertain to the fees by the Club to a member when it assigns its rights to another person or entity.

“Revenue from party packages” pertain to revenues generated by the Club from outside catering, food and beverage for outside events, discount on promotions and party packages of the Club.

“Consignment sales” pertain to revenues by the Club which are generated through a consignee.

“Renomination fees” pertain to fees charged by the Club to corporations for nominations of new members for corporate shares.

“Others” represent revenues from other operating departments of the Club.

## 13. Direct Costs

	2022	2021	2020
Food and beverage (Note 6)	<b>₱115,944,893</b>	₱46,722,833	₱42,332,184
Payroll (Note 17)	<b>60,858,301</b>	34,659,112	38,930,322
Utilities, laundry and supplies	<b>39,046,176</b>	24,659,641	23,197,747
Sports and recreation	<b>8,700,523</b>	3,894,510	3,676,838
Marketing and others	<b>7,860,210</b>	4,619,510	4,474,370
Club shop and others (Note 6)	<b>3,129,871</b>	2,586,627	2,712,072
Banquets and special events	<b>5,114,880</b>	5,075,760	2,613,186
Depreciation (Note 8)	<b>1,504,026</b>	1,511,002	1,502,952
Others	<b>1,049,573</b>	1,004,048	902,664
	<b>₱243,208,453</b>	₱124,733,043	₱120,342,335

“Others” consist of expenses incurred by the Club such as postage, freight, telecommunications and contract services.





#### 14. Operating Expenses

	2022	2021	2020
General and administrative			
Payroll (Note 17)	₱17,800,066	₱15,478,485	₱15,884,515
Outside services	9,131,738	8,207,173	8,961,626
Taxes and licenses	5,440,215	5,434,412	6,975,528
Credit card service fees	5,423,196	3,010,020	3,184,479
Utilities and supplies	2,167,540	1,433,112	1,278,505
Communications	1,326,396	1,335,157	1,699,749
Insurance	607,770	624,198	705,383
Others	6,155,002	7,075,691	8,679,066
	<b>48,051,923</b>	42,598,248	47,368,851
Depreciation (Note 8)	<b>28,576,487</b>	28,709,029	28,556,069
Housekeeping			
Payroll (Note 17)	₱8,442,140	₱5,008,471	₱6,038,218
Utilities, laundry and supplies	3,136,665	1,719,288	1,428,475
Outside services	1,503,527	919,563	897,019
Others	303,014	272,485	272,101
	<b>13,385,346</b>	7,919,807	8,635,813
Engineering			
Outside services	3,471,502	2,738,978	2,516,347
Supplies	4,412,408	1,905,781	2,511,280
Payroll (Note 17)	2,341,365	1,790,913	1,888,080
Others	170,029	213,242	377,917
	<b>10,395,304</b>	6,648,914	7,293,624
	<b>₱100,409,060</b>	₱85,875,998	₱91,854,357

“Others” pertains to expenses incurred for travel and transportation, uniforms, trainings and seminars, representation and entertainment and licenses and permits. “Others” under General and Administrative expenses include Covid-19 related expenses amounting ₱1.49 million, ₱3.80 million and ₱4.30 million for the years ended December 31, 2022, 2021 and 2020, respectively. These expenses pertain to antigen testing, medical equipment, meals of stay-in staff, vitamins, and supplies such as face masks, face shields and disinfectants.

#### 15. Other Income

	2022	2021	2020
Penalties for late payments	₱1,670,756	₱844,753	₱318,436
Interest income (Notes 4 and 10)	376,893	110,606	1,038,070
Others	2,026,586	2,177,380	1,195,250
	<b>₱4,074,235</b>	₱3,132,739	₱2,551,756

“Others” include income from food and beverages outside the originally availed package by members or guests, car stickers and membership cards, among others.



## 16. Income Taxes

### Corporate Recovery and Tax Incentives for Enterprises” or “CREATE” Act

To attract more investments and maintain fiscal prudence and stability in the Philippines, Republic Act (RA) 11534 or the CREATE Act was signed into law on March 26, 2021. The CREATE Act introduces reforms to the corporate income tax and incentives systems. It took effect on April 11, 2021.

Pursuant to the enactment of R.A. 11534 (CREATE Law) and reiterated on Revenue Regulation No. 5-2021 the Club is subject to 25% RCIT or 1% MCIT. Moreover, Revenue Memorandum Circular No. 35-2012 clarified the taxability of clubs organized and operated exclusively for pleasure, recreation, and other non-profit purposes. Accordingly, organizations that were established for recreation and other non-profit purposes such as country clubs must pay income tax under National Internal Revenue Code and VAT.

The gross receipts of recreational clubs including but not limited to membership fees, assessment dues, rental income and services fees are subject to income tax and VAT.

Provision for income tax consists of:

	2022	2021	2020
Current	₱1,114,863	₱724,513	₱1,389,010
Deferred	(523,130)	(439,908)	598,220
	<b>₱591,733</b>	<b>₱284,605</b>	<b>₱1,987,230</b>

The current provision for income tax in 2022, 2021 and 2020 represents MCIT.

The Club did not recognize deferred tax assets on the following deductible temporary differences and MCIT because management believes that it is likely that the carry forward benefits of recognizing deferred tax assets on these differences will not be realized:

	2022	2021	2020
Contract liabilities from advance membership dues	₱13,019,148	₱3,571,074	₱4,119,170
Provision for retirement expense	14,605,181	13,480,105	12,153,313
Allowance for expected credit loss	2,663,460	2,663,460	2,663,460
MCIT	3,228,386	2,113,523	3,526,970
NOLCO	19,258,952	34,061,450	21,503,457
	<b>₱52,775,127</b>	<b>₱55,889,612</b>	<b>₱43,966,370</b>





The components of the Club's net deferred tax liabilities as of December 31 are as follows:

	2022	2021
Deferred tax liabilities on:		
Finance lease differential	₱3,497,116	₱3,706,650
Remeasurement gain on defined benefit obligation	1,412,533	889,403
	<b>4,909,649</b>	4,596,053
Deferred tax asset on:		
Contract liabilities	(4,909,649)	(4,596,053)
	<b>(4,909,649)</b>	(4,596,053)
	<b>₱-</b>	<b>₱-</b>

The following are the movements in NOLCO as of December 31, 2022, 2021 and 2020:

	2022	2021	2020	2019
Balance at beginning of year	₱34,061,450	₱21,503,457	₱-	₱5,963,582
Addition	-	12,557,993	21,503,457	-
Application/Expired	(14,802,498)	-	-	(5,963,582)
Balance at end of year	<b>₱19,258,952</b>	₱34,061,450	₱21,503,457	<b>₱-</b>

In 2022, the 2020 NOLCO amounting ₱14.80 million was applied, the remaining balance after the application in 2022 amounted to ₱6.70 million.

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2021, the Club has incurred NOLCO in taxable year 2021 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Amount	Availment Period
2021	₱12,557,993	2022-2026
2020	21,503,457	2021-2025

The following are the movements in MCIT as of December 31, 2022, 2021 and 2020:

	2022	2021	2020	2019
Balance at beginning of year	₱2,113,523	₱3,526,970	₱3,713,042	₱3,713,042
Addition	1,114,863	724,513	1,389,010	-
Expiration	-	(2,137,960)	(1,575,082)	-
Balance at end of year	<b>₱3,228,386</b>	₱2,113,523	₱3,526,970	₱3,713,042

MCIT are claimable within three (3) years following the year it was incurred. Below are the availment period of MCIT.

Year Incurred	%	Amount	Availment Period
2022	1.00%	₱1,114,863	2023-2025
2021	1.00%	724,513	2022-2024
2020	1.50%	1,389,010	2021-2023



The reconciliation of provision for income tax at the statutory tax rate to provision for income tax shown in the statements of revenues and expenses follow:

	2022	2021	2020
Provision for income tax at statutory rate	<b>₱589,171</b>	(₱4,509,540)	(₱7,076,375)
Adjustments for:			
Nondeductible interest expense	<b>39,260</b>	13,826	129,759
Change in unrecognized deferred tax assets	<b>57,525</b>	1,920,725	7,670,185
Expired MCIT	-	2,137,960	1,575,082
Interest income subjected to final tax	<b>(94,223)</b>	(33,182)	(311,421)
Changes due to impact of CREATE	-	754,816	-
<b>Provision for income tax</b>	<b>₱591,733</b>	<b>₱284,605</b>	<b>₱1,987,230</b>

## 17. Pension Liability

The Club has a noncontributory, unfunded defined benefit pension plan covering substantially all of its regular employees. The benefits are based on years of service and compensation on the last year of employment.

The Club updates the actuarial valuation every year by hiring the services of a third party professionally qualified actuary.

The pension costs included in the "Payroll" account follow (see Notes 13 and 14):

	2022	2021	2020
Current service cost	<b>₱997,318</b>	₱1,070,499	₱798,556
Interest cost	<b>465,993</b>	384,720	340,339
	<b>₱1,463,311</b>	<b>₱1,455,219</b>	<b>₱1,138,895</b>

The rollforward analysis of the present value of defined benefit obligation recognized in the statements of financial position follows:

	2022	2021	2020
Present value of obligation at beginning of year	<b>₱9,922,492</b>	₱10,226,904	₱7,351,818
Current service cost	<b>997,318</b>	1,070,499	798,556
Interest cost	<b>465,993</b>	384,720	340,339
Benefits paid	<b>(338,235)</b>	-	(257,875)
Actuarial loss (gain) due to:			
Experience adjustments	<b>402,900</b>	(175,910)	(194,569)
Change in assumptions	<b>(2,495,419)</b>	(1,583,721)	2,188,635
	<b>₱8,955,049</b>	<b>₱9,922,492</b>	<b>₱10,226,904</b>





The assumptions used to determine pension benefits of the Club are as follows:

	2022	2021	2020
Discount rate	7.30%	5.16%	4.03%
Salary increase rate	4.00%	4.00%	4.00%

The sensitivity analyses below have been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant.

	Increase (Decrease)	2022	2021
Salary increase rate	+1.00%	₱10,078,212	₱11,358,624
	-1.00%	(7,992,234)	(8,712,678)
Discount rate	+1.00%	(8,061,578)	(8,772,302)
	-1.00%	10,008,967	11,306,157

Shown below is the maturity analysis of the benefit payments:

	2022	2021
Less than one year	₱1,691,289	₱1,783,227
More than one year to five years	492,989	165,865
More than five years to 10 years	5,979,828	4,240,634
More than 10 years to 15 years	7,749,640	7,634,533
More than 15 years to 20 years	16,509,489	13,063,663
More than 20 years	34,611,719	33,067,174
	<b>₱67,034,954</b>	<b>₱59,955,096</b>

## 18. Financial Instruments

The carrying values of the Club's recognized financial assets and financial liabilities, approximate their estimated fair values as of December 31, 2022 and 2021 because these are short-term in nature.

The Club's principal financial instruments are cash, contract receivables, due from related parties, trade and other payables and due to related parties. The main purpose of these financial instruments is to finance the Club's operations.

The main objectives of the Club's financial risk management are as follows:

- To identify and monitor such risks on an ongoing basis;
- To minimize and mitigate such risks; and
- To provide a degree of certainty about costs.

The main risks arising from the Club's financial assets are credit risk and liquidity risk. The Club's risk management policies are summarized below:

### a. Credit risk

The Club trades only with recognized members and creditworthy third parties. It is the Club's practice that all members and third parties who wish to trade on credit terms are subject to credit



verification procedures. Receivable balances are monitored on an ongoing basis. Receivables from members are collateralized by a preferential lien on the Club shares owned by them.

The table below shows the carrying value (net of ECL) to credit risk for the components of the statement of financial position.

	2022	2021
Cash and Cash equivalents	<b>₱82,708,727</b>	₱43,851,305
Short-term investment	<b>33,867,175</b>	33,798,791
Contract receivables	<b>42,428,426</b>	32,602,423
Due from related parties	<b>2,617,892</b>	618,725
	<b>₱161,622,220</b>	₱110,871,244

The aging analyses of loans and contract receivables are as follows:

	December 31, 2022						
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired	Total
		31-60 days	61-90 days	91-120 days	>120 days		
Cash and cash equivalents*	₱82,708,727	₱-	₱-	₱-	₱-	₱-	₱82,708,727
Short term investment	33,867,175	-	-	-	-	-	33,867,175
Members	30,781,742	323,499	-	-	-	2,663,460	33,768,701
Due from related parties	2,617,892	-	-	-	-	-	2,617,892
Banquet sales	3,927,980	472,094	67,052	886,260	170,224	-	5,523,610
Credit cards	1,519,674	-	-	-	-	-	1,519,674
Others	1,616,441	-	-	-	-	-	1,616,441
	<b>₱157,039,631</b>	<b>₱795,593</b>	<b>₱67,052</b>	<b>₱886,260</b>	<b>₱170,224</b>	<b>₱2,663,460</b>	<b>₱161,622,220</b>

\*Excluding cash on hand

	December 31, 2021						
	Neither past due nor Impaired	Past due but not impaired				Impaired	Total
		31-60 days	61-90 days	91-120 days	>120 days		
Cash and cash equivalents	₱77,650,096	₱-	₱-	₱-	₱-	₱-	₱77,650,096
Members	23,518,126	-	6,663,841	-	-	2,663,460	32,845,427
Due from related parties	618,725	-	-	-	-	-	618,725
Banquet sales	741,594	34,918	-	-	-	-	776,512
Credit cards	314,256	-	-	-	-	-	314,256
Others	1,329,688	-	-	-	-	-	1,329,688
	<b>₱104,172,485</b>	<b>₱34,918</b>	<b>₱6,663,841</b>	<b>₱-</b>	<b>₱-</b>	<b>₱2,663,460</b>	<b>₱113,534,704</b>

\*Excluding cash on hand

The Club's loans and contract receivables classified as "neither past due nor impaired" are high grade receivables that pertain to receivables from members, related parties and third parties which, based on experience, are highly collectible or collectible on demand and of which exposure to bad debt is not significant.

b. *Liquidity risk*

The Club monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Club maintains a level of cash deemed sufficient to finance operations and to mitigate the effects of fluctuation in cash flows.





The following table summarizes the maturity profile of the Club's financial assets held to manage liquidity as of December 31 based on contractual undiscounted payments:

	December 31, 2022				
	On demand	Less than 3 months	3 to 12 months	Over 12 months	Total
Cash and cash equivalents*	₱82,708,727	₱-	₱-	₱-	₱82,708,727
Short Term Investment	33,867,175	-	-	-	33,867,175
Contract receivables	41,577,322	458,264	111,373	281,467	42,428,426
Due from related parties	2,617,892	-	-	-	2,617,892
	<b>₱160,771,116</b>	<b>₱458,264</b>	<b>₱111,373</b>	<b>₱281,467</b>	<b>₱161,622,220</b>

\*Excluding cash in hand

	December 31, 2021				
	On demand	Less than 3 months	3 to 12 months	Over 12 months	Total
Cash and cash equivalents*	₱43,851,305	₱-	₱-	₱-	₱43,851,305
Short Term Investment	33,798,791	-	-	-	33,798,791
Contract receivables	25,938,582	6,663,841	-	-	32,602,423
Due from related parties	618,725	-	-	-	618,725
	<b>₱104,207,403</b>	<b>₱6,663,841</b>	<b>₱-</b>	<b>₱-</b>	<b>₱110,871,244</b>

\*Excluding cash on hand

The maturity profile of the Club's financial liabilities based on contractual undiscounted payments follows:

	December 31, 2022				
	On demand	Less than 3 months	3 to 12 months	Over 12 months	Total
Accounts and other payables					
Accounts payable	₱24,125,938	₱963,519	₱64,800	₱-	₱25,154,257
Accrued expenses	28,622,775	1,534,660	-	-	30,157,435
Deposits	3,697,387	-	238,348	-	3,935,735
Member cash bond	-	-	-	5,100,000	5,100,000
Due to related parties	426,038	-	-	-	426,038
	<b>₱56,872,138</b>	<b>₱2,498,179</b>	<b>₱303,148</b>	<b>₱5100,000</b>	<b>₱64,773,465</b>

	December 31, 2021				
	On demand	Less than 3 months	3 to 12 Months	Over 12 months	Total
Accounts and other payables					
Accounts payable	₱15,070,613	₱-	₱-	₱-	₱15,070,613
Accrued expenses	16,975,208	5,703,905	734,416	-	23,413,529
Deposits	1,736,070	-	-	-	1,736,070
Member cash bond	-	-	3,971,304	-	3,971,304
Due to related parties	318,175	-	-	-	318,175
	<b>₱34,100,066</b>	<b>₱5,703,905</b>	<b>₱4,705,720</b>	<b>₱-</b>	<b>₱44,509,691</b>

Changes in liability arising from financing activities (obligation under finance lease) for the year ended December 31, 2022 and 2021 are as follows:

	2022	2021
Balance at beginning of year	₱16,747,208	₱17,585,342
Interest (Note 19)	6,240,153	6,625,866
Actual Payment	(7,464,000)	(7,464,000)
	<b>₱15,523,361</b>	<b>₱16,747,208</b>



*Market risk*

Market risk is the risk of change in the fair value of financial instruments from fluctuations in foreign exchange rates (foreign currency risk) and market interest rate risk (interest rate risk), whether such change in price is caused by factors specific to individual instrument or its issuer or factors affecting all instruments traded in the market. There are no risks arising from foreign currency risk and interest rate risk.

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**19. Lease Commitments**

On April 21, 2016, the Club entered into an agreement with Engie Services (Philippines) (Engie, formerly known as Cofely Philippines) wherein Engie will operate and maintain installations that will supply chilled water to the Club for a period of ten (10) years. The terms of the agreement require the Club to make monthly fixed payments of ₱246,000, exclusive of VAT from the date of the agreement until the date of completion of testing and commissioning of the chilled water installations.

Upon completion of testing and commissioning, the Club is required to make fixed monthly payments of ₱622,000, exclusive of VAT, for ten (10) years, representing the fixed period charges of the Club for the use of the chilled water.

The agreement further stipulates that Engie will initially shoulder the cost of the installations for the chilled water supply owned by the Club and Engie will bill the Club for its share of the cost of the installations. Engie shall transfer the possession of the Club's share of the installations upon completion of testing and commissioning.

The installations were completed in February 2017.

Among other stipulations on the contract, the Club has determined that the arrangement is effectively a finance lease arrangement because eventual ownership will transfer to the Club.

Engie billed the Club effective March 18, 2017, which also served as the commencement date for the full operation of the installations. The total minimum lease payments over the term of the agreement which is 10 years amounted to ₱97.13 million. The present value of the minimum lease payments amounted to ₱41.46 million. In addition, the Club made down payments amounting ₱22.49 million. The related finance cost on the agreement that is accreted over the 10-year term which is the difference between the ₱97.13 million and ₱41.46 million amounted to ₱55.67 million. The unamortized finance cost as of December 31, 2022 and 2021 amounted to ₱29.51 million and ₱31.57 million, respectively. Total interest expense recognized on this obligation under finance lease in 2022 and 2021 amounted to ₱6.24 million and ₱6.63 million, respectively. These were included under "Finance costs" in the Club's statements of revenues and expenses.

The present value of the obligation under finance lease amounted to ₱15.52 million and ₱16.75 million as of December 31, 2022 and 2021, respectively.

The carrying value of the Club's finance lease asset (under sports, kitchen and other facilities and equipment) amounted to ₱29.51 million and ₱31.57 million as of December 31, 2022 and 2021, respectively (see Note 8).





The future minimum rental payments pertaining to the finance lease as of December 31, 2022 and December 31, 2021 are as follows:

	2022	2021
Within one year	₱7,464,000	₱7,464,000
After one year but not more than five years	24,258,000	31,722,000
	<b>₱31,722,000</b>	<b>₱39,186,000</b>

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## 20. Contingencies

The Club is involved in a certain administrative proceeding. The Club, in collaboration with outside legal counsel handling defense, as the case may be, does not believe that this proceeding will have a material adverse effect on its financial position and performance. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of strategies relating to this. No accruals were made in relation to this proceeding.

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## 21. Other Matters

### Continuing COVID-19 Outbreak

Following the outbreak of the COVID-19 disease that started in Wuhan, Hubei, China, on January 30, 2020, the World Health Organization declared the 2019 COVID-19 disease (“COVID-19”) outbreak a Public Health Emergency of International Concern, and subsequently, with the continued increase in the number of confirmed cases throughout the world, a pandemic on March 11, 2020.

In response to the pandemic, the Philippine government took actions and implemented quarantine measures at varying degrees starting March 16, 2020, which mandated the temporary closure and/or reduction in operating capacity of non-essential shops and businesses, prohibited mass gatherings and all means of public transportation, and restricted traveling through air, sea, and land in and out of the country, except by diplomats and uniformed workers (carrying medical supplies), among others. These measures have disrupted supply chains, business operations, and workplace structures, forcing a shift in priorities and short-term strategies.

As a result of the COVID-19 pandemic, the Club incurred related expenses amounting ₱1.49 million pertaining to antigen testing, medical equipment, meals for stay-in staff, vitamins, and supplies such as face masks, face shields, and disinfectants. These expenses incurred are included in “Others” under the General and Administrative expenses account in the statement of revenues and expenses (Note 14). These expenses are necessary for the protection of Club members and staff. It is also aligned with the objective of the national government to prevent the further spread of the COVID-19 infection.



## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
The Palms Country Club, Inc.  
1410 Laguna Heights Drive  
Filinvest City, Alabang, Muntinlupa City 1781

We have audited the accompanying financial statements of The Palms Country Club, Inc. (the Company), as at December 31, 2022, on which we have rendered the attached report dated April 3, 2023.

In compliance with the Revised Securities Regulation Code Rule No. 68, we are stating that the above Company has one (1) stockholder owning one hundred (100) or more shares.

SYCIP GORRES VELAYO & CO.



Michael C. Sabado

Partner

CPA Certificate No. 89336

Tax Identification No. 160-302-865

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 89336-SEC (Group A)

Valid to cover audit of 2022 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-073-2020, December 3, 2020, valid until December 2, 2023

PTR No. 9564691, January 3, 2023, Makati City

April 3, 2023





**THE PALMS COUNTRY CLUB, INC.**  
**(A Not-for-Profit Corporation)**

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SCHEDULES**

**SUPPLEMENTARY SCHEDULES**

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**THE PALMS COUNTRY CLUB, INC.**  
**(A Not-for-Profit Corporation)**

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**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR  
DIVIDEND DECLARATION**

This schedule is not applicable since the Club has an accumulated deficiency of revenues over costs and expenses amounting to ₱265.89 million and ₱267.65 million as at December 31, 2022 and 2021, respectively. In addition, in accordance with the Club's by-laws, no part of the income or asset of the Club shall belong to or inure to the benefit of any member, officer or any specific person. The objective of the Club is to provide facilities for the use and enjoyment of members.



**THE PALMS COUNTRY CLUB, INC.**  
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**SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON  
REVISED SRC RULE 68 AND 68.1  
DECEMBER 31, 2022**

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as “Part I” and “Part II”, respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by SRC Rule 68 and 68.1 as amended that are relevant to the Club. This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Financial Assets in Equity Securities - Not Applicable

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)

There is no receivable from employees with aggregate indebtedness of more than ₱100,000 or 1% of the total assets as of December 31, 2022.

Schedule C. Amounts receivable from related parties which are eliminated during the Consolidation of Financial Statements - Not Applicable as the Club does not prepare consolidated financial statements.

Schedule D. Intangible Assets - Not Applicable. The Club does not have intangible assets.

Schedule E. Long-term Debt - Not applicable

The Club has no outstanding long-term debt as of December 31, 2022.

Schedule F. Indebtedness to Related parties

As of December 31, 2022, there are no noncurrent liabilities due to related parties. Current liabilities due to related parties amounted to ₱0.43 million.

Schedule G. Guarantees of Securities of Other Securities - Not Applicable

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, Officers and Employees	Others
Club A Shares	1,900	1,900				
Club B Shares	250	250				
Club C Shares	150	150				
Club D Shares	2,293	2,293				
Founder Shares	7	7				



**THE PALMS COUNTRY CLUB, INC.**  
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**SUPPLEMENTARY SCHEDULE ON FINANCIAL SOUNDNESS INDICATOR  
REQUIRED ON REVISED SRC RULE 68 AND 68.1  
DECEMBER 31, 2022**

Below are the financial ratios that are relevant to the Club for the years ended December 31, 2022 and 2021:

Financial ratios		2022	2021
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.82	1.83
Quick ratio	$\frac{\text{Cash and receivable}}{\text{Current liabilities}}$	1.64	1.64
Solvency ratio	$\frac{\text{Total assets}}{\text{Total liabilities}}$	7.96	10.03
Debt-equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	0.14	.11
Profit margin ratio	$\frac{\text{Net income (loss)}}{\text{Total revenue}}$	0.01	(.08)

In computing the current ratio, the Club considered the following accounts as current (based on the maturity profile of each accounts):

*Current assets*

- Cash
- Contract receivables
- Inventories
- Other current assets

*Current liabilities*

- Trade and other payables
- Due to related parties
- Contract liabilities
- Loans payable - current portion



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of THE PALMS 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, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines in necessary to enable the predation 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviewed and approved the financial statements including the schedules attached therein, and submits the same to the stockholder or members.

SyCip, Gorres, Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

FRANCIS NATHANIEL C. GOTIANUN
President and CEO
ID NO. D16-01-24526a

HANS RUDOLF NEUKOM
General Manager
ID No. X61-98-038113

MITZI C. CHUIDIAN
Financial Controller
ID NO. N26-04-067775

PATRICIO L. BONCAYAO, JR.
Notary Public
2nd Floor, KLC Bldg., Rotonda, Alabang, Muntinlupa City
MCLE Compliance No. VII-0015578
Issued on: 04-13-22; Valid until 4-14-2025
IBP Lifetime No. 019651; 11-06-15; Pasay City
PR No. 4347541; 01-03-23; Muntinlupa City
NS 22-032; Muntinlupa City until 12-31-23
TEL. 167-734-581
Roll No. 33796
Tel. No. 8800-70-16
patricio\_boncayao\_lawoffice@yahoo.com.ph

Signed this 3rd day of April 2023

26 APR 2023

SUBSCRIBED AND SWORN TO BEFORE ME THIS DAY OF MUNTINLUPA CITY, PERSONALLY APPEARED WITH VALID ID NO. ISSUED BY

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