

# MAKATI (SPORTS) CLUB, INC.

(A Nonprofit Corporation)

## **FINANCIAL STATEMENTS** **December 31, 2023 and 2022**

With Independent Auditors' Report



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## REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Members  
**Makati (Sports) Club, Inc.**  
L.P. Leviste corner Gallardo Streets  
Salcedo Village, Makati City

### Report on the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of Makati (Sports) Club, Inc. [the “Club”], a nonprofit corporation, which comprise the statements of assets, liabilities and members’ equity as at December 31, 2023 and 2022, statements of income and expenses, statements of comprehensive income, statements of changes in members’ equity and statements of cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Makati (Sports) Club, Inc., as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standard for Small and Medium-sized Entities (PFRS for SMEs).

#### *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 *Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Club in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our 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.

Firm Regulatory Registration & Accreditation:  
PRC-BOA Registration No. 0003, valid until September 20, 2026  
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)  
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



### *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 PFRS for SMEs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### *Auditors' Responsibilities for the 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA 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 PSA, 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 Club's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Club's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Club to cease to continue as a going concern.



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

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

**Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010 and RR No. 34-2020 of the Bureau of Internal Revenue**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties and license fees in Note 22 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**R.G. MANABAT & CO.**

*Markent Ronie R. Tampos*

MARKENT RONIE R. TAMPOC

Partner

CPA License No. 0120537

Tax Identification No. 253-456-564

BIR Accreditation No. 08-001987-151-2022

Issued January 27, 2022; valid until January 26, 2025

PTR No. MKT 10075202

Issued January 2, 2024 at Makati City

March 7, 2024

Makati City, Metro Manila

**MAKATI (SPORTS) CLUB, INC.**  
**(A Nonprofit Corporation)**

**STATEMENTS OF ASSETS, LIABILITIES AND MEMBERS' EQUITY**

December 31			
	<i>Note</i>	2023	2022
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4, 21	<b>P36,386,680</b>	P28,814,597
Receivables	5, 21	<b>18,188,293</b>	14,209,764
Inventories	6	<b>4,379,097</b>	3,343,013
Investment in bonds	9, 21	-	4,000,000
Prepaid expenses	7	<b>1,725,914</b>	1,329,817
<b>Total Current Assets</b>		<b>60,679,984</b>	51,697,191
<b>Noncurrent Assets</b>			
Property and equipment - net	8	<b>100,675,519</b>	90,356,308
Deferred tax assets	13	<b>6,363,869</b>	6,214,865
Other noncurrent assets	9, 21	<b>38,002,965</b>	29,511,333
<b>Total Noncurrent Assets</b>		<b>145,042,353</b>	126,082,506
		<b>P205,722,337</b>	P177,779,697
 <b>LIABILITIES AND MEMBERS' EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	10, 21	<b>P18,591,790</b>	P13,904,786
Unearned membership dues and other deposits	11	<b>10,794,600</b>	9,284,817
<b>Total Current Liabilities</b>		<b>29,386,390</b>	23,189,603
<b>Noncurrent Liability</b>			
Retirement benefits liability	14	<b>11,500,970</b>	11,354,835
		<b>40,887,360</b>	34,544,438
<b>Members' Equity</b>			
Capital stock	12	<b>65,940,857</b>	65,940,857
Additional paid-in capital	12	<b>19,520,420</b>	16,157,362
Accumulated excess of income over expenses		<b>101,969,825</b>	82,134,020
Treasury stock	12	<b>(15,383,757)</b>	(15,486,696)
Remeasurement losses on retirement benefits liability		<b>(7,212,368)</b>	(5,510,284)
<b>Total Members' Equity</b>		<b>164,834,977</b>	143,235,259
		<b>P205,722,337</b>	P177,779,697

*See Notes to the Financial Statements.*

**MAKATI (SPORTS) CLUB, INC.**  
**(A Nonprofit Corporation)**

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**STATEMENTS OF INCOME AND EXPENSES**

<b>Years Ended December 31</b>			
	<i>Note</i>	<b>2023</b>	<b>2022</b>
<b>MEMBERSHIP DUES AND OTHER FEES</b>		<b>P46,077,973</b>	<b>P45,564,084</b>
<b>INCOME FROM CLUBHOUSE OPERATIONS - Net</b>			
Food and beverage	15	22,900,003	5,423,599
Barber shop	18	31,312	15,962
Beauty parlor	17	24,441	(6,552)
Sports and recreation	16	(4,099,957)	(3,145,083)
Other income - net	4, 5, 9, 19	2,165,719	1,940,630
		<b>21,021,518</b>	<b>4,228,556</b>
<b>INCOME BEFORE ADMINISTRATIVE AND GENERAL EXPENSES</b>		<b>67,099,491</b>	<b>49,792,640</b>
<b>ADMINISTRATIVE AND GENERAL EXPENSES</b>	8, 14, 20	<b>46,551,583</b>	<b>37,063,623</b>
<b>EXCESS OF INCOME OVER EXPENSES BEFORE INCOME TAX EXPENSE</b>		<b>20,547,908</b>	<b>12,729,017</b>
<b>INCOME TAX EXPENSE</b>	13	<b>712,103</b>	<b>525,813</b>
<b>EXCESS OF INCOME OVER EXPENSES</b>		<b>P19,835,805</b>	<b>P12,203,204</b>

*See Notes to the Financial Statements.*

**MAKATI (SPORTS) CLUB, INC.**  
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**STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Years Ended December 31</b>		
	<i>Note</i>	<b>2023</b>	<b>2022</b>
<b>EXCESS OF INCOME OVER EXPENSES</b>		<b>P19,835,805</b>	P12,203,204
<b>OTHER COMPREHENSIVE LOSS</b>			
<i>Item that will not be reclassified subsequently to income and expenses</i>			
Remeasurement loss on retirement benefits liability - net of deferred tax	<i>14</i>	<b>(1,702,084)</b>	(792,254)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P18,133,721</b>	P11,410,950

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*See Notes to the Financial Statements.*

**MAKATI (SPORTS) CLUB, INC.**  
**(A Nonprofit Corporation)**  
**STATEMENTS OF CHANGES IN MEMBERS' EQUITY**

		<b>Years Ended December 31</b>	
	<b>Note</b>	<b>2023</b>	<b>2022</b>
<b>CAPITAL STOCK</b>			
Authorized - 1,050 Class A and 450 Class B:	12		
Issued:			
Class A - 1,009 shares		<b>P41,834,720</b>	P41,834,720
Class B - 440 shares		<b>24,106,137</b>	24,106,137
		<b>65,940,857</b>	65,940,857
<b>ADDITIONAL PAID-IN CAPITAL</b>			
Balance at beginning and end of year	12	<b>16,157,362</b>	15,128,876
Sale of delinquent and treasury stocks		<b>3,363,058</b>	1,028,486
Balance at end of year		<b>19,520,420</b>	16,157,362
<b>ACCUMULATED EXCESS OF INCOME OVER EXPENSES</b>			
<b>Unappropriated</b>			
Balance at beginning of year		<b>82,134,020</b>	69,930,816
Excess of income over expenses for the year		<b>19,835,805</b>	12,203,204
Appropriation during the year	12	<b>(19,000,000)</b>	-
Balance at end of year		<b>82,969,825</b>	82,134,020
<b>Appropriated</b>			
Balance at beginning of year		-	-
Appropriation during the year	12	<b>19,000,000</b>	-
Balance at end of year		<b>19,000,000</b>	-
<b>TREASURY STOCK - 40 shares in 2023 and 41 shares in 2022</b>			
Balance at beginning of year	12	<b>(15,486,696)</b>	(15,486,696)
Reissuance of treasury stock		<b>102,939</b>	-
Balance at end of year		<b>(15,383,757)</b>	(15,486,696)
<b>REMEASUREMENT LOSS ON RETIREMENT BENEFITS LIABILITY</b>			
Balance at beginning of year		<b>(5,510,284)</b>	(4,718,030)
Remeasurement losses on retirement benefits liability - net of deferred tax		<b>(1,702,084)</b>	(792,254)
Balance at end of year		<b>(7,212,368)</b>	(5,510,284)
		<b>P164,834,977</b>	P143,235,259

*See Notes to the Financial Statements.*



**MAKATI (SPORTS) CLUB, INC.**  
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**STATEMENTS OF CASH FLOWS**

		<b>Years Ended December 31</b>	
	<i>Note</i>	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Excess of income over expenses before income tax expense		<b>P20,547,908</b>	P12,729,017
Adjustments for:			
Depreciation	8, 20	<b>8,074,692</b>	6,763,875
Retirement benefits cost	14, 20	<b>2,676,689</b>	2,038,193
Change in fair value of investments in shares of stock		<b>167,925</b>	-
Interest income	4, 5, 9, 19	<b>(1,381,801)</b>	(615,642)
Dividend income	9, 19	<b>(285,530)</b>	(217,889)
Gain on sale of equipment	19	<b>(10,000)</b>	(428,572)
Excess of income over expenses before changes in operating assets and liabilities		<b>29,789,883</b>	20,268,982
Decrease (increase) in:			
Receivables		<b>(4,951,636)</b>	(1,678,578)
Inventories		<b>(1,036,084)</b>	(1,403,832)
Prepaid expenses		<b>(689,842)</b>	1,568,744
Increase in:			
Accounts payable and accrued expenses		<b>4,687,005</b>	6,676,427
Unearned membership dues and other deposits		<b>1,509,783</b>	1,001,288
Cash generated from operations		<b>29,309,109</b>	26,433,031
Interest received		<b>1,320,904</b>	611,602
Retirement fund contribution	14	<b>(4,800,000)</b>	(5,000,000)
Net cash provided by operating activities		<b>25,830,013</b>	22,044,633
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from redemption of investment in bonds	9	<b>4,000,000</b>	8,040,643
Dividends received	9	<b>285,530</b>	217,889
Proceeds from sales of equipment		<b>10,000</b>	428,572
Additions to property and equipment	8	<b>(18,393,903)</b>	(7,318,295)
Acquisition of additional investment in bonds	9	<b>(4,250,000)</b>	(15,040,643)
Acquisition of additional investment in shares of stocks	9	<b>(4,000,000)</b>	-
Increase in other noncurrent assets		<b>(409,557)</b>	(109,149)
Net cash used in investing activities		<b>(22,757,930)</b>	(13,780,983)

Forward

	<b>Years Ended December 31</b>		
	<b>Note</b>	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from:			
Sale of treasury stock	12	<b>P2,500,000</b>	P -
Sale of delinquent stocks	12	<b>2,000,000</b>	2,150,000
Cash provided by financing activities		<b>4,500,000</b>	2,150,000
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>7,572,083</b>	10,413,650
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>28,814,597</b>	18,400,947
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>4</b>	<b>P36,386,680</b>	P28,814,597

*See Notes to the Financial Statements.*

**MAKATI (SPORTS) CLUB, INC.**  
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**NOTES TO THE FINANCIAL STATEMENTS**

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**1. Reporting Entity**

Makati (Sports) Club, Inc. (the "Club") is a nonprofit corporation organized in the Philippines and registered with the Securities and Exchange Commission (SEC) on June 6, 1975, to establish, maintain and promote social, cultural, recreational and sports activities among its members. It is governed by a set of Board of Directors (BOD) that does not receive compensation.

The Club has 83 and 98 employees as at December 31, 2023 and 2022, respectively, in its facilities at L.P. Leviste corner Gallardo Streets, Salcedo Village, Makati City.

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**2. Basis of Preparation**

Statement of Compliance

The accompanying financial statements have been prepared in accordance with Philippine Financial Reporting Standard for Small and Medium-sized Entities (PFRS for SMEs).

The Club's financial statements were approved and authorized for issue by the BOD on March 1, 2024.

Basis of Measurement

The Club's financial statements have been prepared on a historical cost basis of accounting, except for the following items which are measured on an alternative basis at each reporting date:

<u>Items</u>	<u>Measurement Basis</u>
Investment in shares of stock	Fair value
Retirement benefits liability	Fair value of the plan assets less the present value of the defined benefit obligation

Functional and Presentation Currency

The financial statements are presented in Philippine peso, which is the Club's functional currency. All financial information presented in Philippine peso has been rounded off to the nearest peso, unless otherwise stated.

Use of Estimates and Judgments

The preparation of the financial statements in conformity with PFRS for SMEs requires management to exercise judgments, make accounting estimates and use assumption that affect reported amounts of assets, liabilities, income and expenses, and related disclosures. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

There are no significant judgments used in the preparation of these financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

*Estimating Realizability of Deferred Tax Assets*

The Club reviews the carrying amounts of deferred tax assets (DTA) at each reporting date and reduces DTA to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. The Club also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact of deferred tax accordingly. The Club's assessment on the recognition of DTA is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Club's past results and future expectations on operations and expenses.

As at December 31, 2023 and 2022, DTA have not been recognized by the Club in respect of the Net Operating Loss Carry Over (NOLCO) amounting to P41,147,422 and P34,213,899, respectively, as is it not probable that future taxable income will be available against which the Club can use the benefits therefrom.

The DTA recognized amounted to P6,363,869 and P6,214,865 as at December 31, 2023 and 2022, respectively (see Note 13).

*Estimating Retirement Benefits Obligation*

The determination of the Club's retirement benefits liability and costs is dependent on selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions include among others, discount rates, expected returns on plan assets and salary increase rates.

While the Club believes that the assumptions are reasonable and appropriate, significant differences between actual experience and assumptions may materially affect the retirement benefits cost and related obligation.

Retirement benefits liability amounted to P11,500,970 and P11,354,835 as at December 31, 2023 and 2022, respectively. Retirement benefits cost recognized in the statements of income and expenses amounted to P2,676,689 and P2,038,193 in 2023 and 2022, respectively (see Note 14).

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### **3. Summary of Significant Accounting Policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise indicated.

Financial Instruments

The Club classifies its financial instruments as either basic financial instruments or other financial instruments. Financial instruments are recognized only when the Club becomes a party to the contractual provisions of the instrument. The Club's basic financial instruments include cash and cash equivalents, receivables, investment in bonds, investment in shares of stock, and accounts payable and accrued expenses, except payable to government agencies. The Club has no other financial instruments as at December 31, 2023 and 2022.

#### Cash and Cash Equivalents

Cash includes cash on hand and cash in banks which are stated at face value. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition.

#### Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at the transaction price. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less any impairment losses. At the end of each reporting period, the carrying amounts of receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If there is objective evidence of impairment, an impairment loss is recognized immediately in profit or loss.

#### Investment in Bonds

The Club's investment in bonds is a basic financial instrument within the scope of Section 11, *Basic Financial Instruments of PFRS for SMEs*. This financial asset is recognized initially at the transaction price. After initial recognition, the investment is measured at amortized cost using the effective interest method.

#### Investment in Shares of Stock

Investment in shares of stock pertains to investment in non-convertible preferred shares recognized initially at the transaction price. Subsequent to initial recognition, this investment is measured at fair value with changes in fair value recognized in statements of income and expenses if the shares are publicly traded or their fair value can otherwise be measured reliably. All other such investments are measured at cost less impairment.

#### Accounts Payable and Accrued Expenses

Accounts payable are recognized initially at the transaction price including transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Interest expense is recognized on the basis of the effective interest method and is included in finance costs.

Accrued expenses are liabilities to pay for goods or services that have been received or supplied but have not been paid and invoiced. It is necessary to estimate the amount or timing of accruals, however, the uncertainty is generally much less than for provisions.

#### Derecognition of Financial Assets

The Club shall derecognize a financial asset only when:

- a) the contractual rights to the cash flows from the financial asset expire or are settled;
- b) the Club transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- c) the Club, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

#### Derecognition of Financial Liabilities

Financial liabilities are derecognized only when the obligation specified under the liability is discharged, cancelled or expired.

Any difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed shall be recognized in the statements of income and expenses.

#### Impairment of Financial Assets Measured at Cost or Amortized Cost

At the end of each reporting period, the Club assesses whether there is objective evidence of impairment of any financial assets that are measured at cost or amortized cost. If there is objective evidence of impairment, the Club shall recognize an impairment loss in the statements of income and expenses immediately.

Objective evidence that a financial asset or group of assets is impaired includes:

- significant financial difficulty of the issuer or obligor; and
- a breach of contract, such as a default or delinquency in interest or principal payments.

#### Prepaid Expenses

Prepaid expenses represent expenses not yet incurred but already paid in cash. Prepaid expenses are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to statements of income and expenses as they are consumed in operations or expire with the passage of time.

Prepaid expenses are classified in the statements of assets, liabilities and members' equity as current assets when the cost of goods or services related to the prepaid expenses is expected to be incurred within one year or the Club's normal operating cycle, whichever is longer. Otherwise, prepaid expenses are classified as noncurrent assets.

#### Inventories

Inventories are measured at the lower of cost and net realizable value (NRV). The cost of inventories is based on the moving average cost method and includes expenditures incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. NRV is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Inventories are derecognized upon sale or when there are no expected future benefits from disposal and are recognized under "Costs of sales" of Food and Beverage in the statements of income and expenses.

#### Property and Equipment

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is measured at cost less any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Club, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in income or expense as incurred.

Depreciation charge is calculated over the depreciable amount, which is the cost of an asset less its residual value. Depreciation charge is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful lives are as follows:

	Number of Years
Buildings and improvements	20
Sports facilities and equipment	5
Electrical and mechanical equipment	5
Machinery and equipment	5
Transportation equipment	5
Furniture and fixtures	5
Chinaware, glassware, silverware and linen	5

If there is an indication that there has been a significant change in the depreciation method, useful life or residual life of an asset, the depreciation of that asset are reviewed and adjusted prospectively if appropriate.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within other income in profit or loss.

#### Impairment of Non-financial Assets Other than Inventories

The carrying amounts of the Club's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

#### Capital Stock

Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with Section 29, *Income Tax*.

#### Treasury Stock

Treasury stocks are the equity instruments of the Club that have been issued and subsequently reacquired by the Club. The fair value of the consideration given for the treasury stocks is deducted from equity. No gain or loss in profit or loss is recognized on the purchase, sale, issue or cancellation of treasury stock. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is presented as additional paid-in capital.

#### Accumulated Excess of Income over Expenses

The amount included in accumulated excess of income over expenses includes earnings attributable to the Club's equity holders.

Accumulated excess of income over expenses may also include prior year adjustments and the effect of changes in accounting policies as may be required by the standard's transitional provisions.

#### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Club and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

*Income from Clubhouse Operations.* Income from sale of food and beverage, and other services is recorded when earned.

*Membership Dues.* Dues from members are regularly billed one month in advance, and collections are initially recorded as a liability. Income therefrom is recognized in the period to which the dues apply. Cash received from members that pertains to membership dues applicable to subsequent periods is recognized as unearned membership dues.

*Transfer Fees.* Transfer fees paid in advance by applicants for Club membership are deferred and recognized as income upon election of these applicants as Club members.

*Interest.* Interest income on bank deposits is recorded when earned and presented net of applicable tax.

*Other Income.* Interest income from employees' loan, income from concessionaires, income from investments and others are recognized as other income when earned.

#### Expense Recognition

Expenses are recognized when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Expenses are recognized when they are incurred.

#### Income Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in members' equity or other comprehensive income (OCI).

The Club measures a current tax liability (asset) at the amounts it expects to pay (recover) using the tax rates and laws that have been enacted or substantively enacted by the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and the carry forward of currently unused tax losses and tax credits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.



Deferred tax liabilities are not provided on non-taxable temporary differences.

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 asset 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 asset to be recovered.

Deferred tax assets and deferred liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (tax laws) that have been enacted or substantively enacted by the end of the reporting period.

In determining the amount of current and deferred tax, the Club takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due.

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 taxation authority.

Current tax assets and current tax liabilities are offset, or deferred tax assets and deferred tax liabilities are offset if the Club has a legally enforceable right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously to the same taxable entity and the same taxation authority.

#### Short-term Employee Benefits

The Club recognizes the cost of all employee benefits to which its employees have become entitled as a result of service rendered to the Club during the reporting period (a) as a liability, after deducting amounts that have been paid either directly to the employees and (b) as an expense, unless the cost is to be recognized as part of the cost of an asset such as inventories or property, plant and equipment. The Club measures the amounts recognized at the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

#### Retirement Benefits Liability

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Club recognizes a liability (retirement benefits liability) in the statements of assets, liabilities and members' equity for its obligations under defined benefit pension plans. Such liability is measured at the present value of its defined benefit obligation at the reporting date minus the fair value of plan assets at the reporting date. The Club determines the rate used to discount the future payments by reference to market yields at the reporting date on high quality corporate bonds or government bonds that have maturity dates approximating the terms of the Club's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The defined benefit obligation is measured using the projected unit credit method.

The Club recognizes all actuarial gains and losses arising from defined benefits plans in the period in which they occur in the statements of comprehensive income under OCI.

All past service costs are recognized in profit or loss immediately.

When the calculation results in a benefit or surplus to the Club, the recognized asset is limited only to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

#### Provisions and Contingencies

A provision is recognized if, as a result of a past event, the Club has a present legal or constructive obligation that can be estimated reliably, and it is probable that a transfer of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost. The Club does not recognize a provision for future operating losses. Contingent liabilities are not recognized as liabilities, except for provisions for contingent liabilities of an acquiree in a business combination but are disclosed in the financial statements unless the possibility of an outflow of resources is remote. Contingent assets are not recognized but disclosed in the financial statements when an inflow of economic benefits is probable.

#### Events After the Reporting Date

Post year-end events up to the date the financial statements is authorized for issue by the BOD that provide additional information about the Club's financial position at reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

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#### 4. Cash and Cash Equivalents

This account consists of:

	<i>Note</i>	<b>2023</b>	2022
Cash in banks		<b>P28,360,180</b>	P20,793,097
Short-term investments		<b>8,000,000</b>	8,000,000
Cash on hand		<b>26,500</b>	21,500
	<i>21</i>	<b>P36,386,680</b>	P28,814,597

Cash in banks earns interest at the respective bank deposit rates. Short-term investments are made for varying periods between one day and three months depending on the immediate cash requirements of the Club, and earn interest at the respective market rates ranging from 5% to 6% and 4% to 5% in 2023 and 2022, respectively.

Interest income from cash and cash equivalents amounted to P180,592 and P10,790 2023 and 2022, respectively (see Note 19).

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#### 5. Receivables

Receivables consist of accounts due from:

	<i>Note</i>	<b>2023</b>	2022
Members		<b>P16,985,008</b>	P12,907,415
Employees		<b>1,012,936</b>	1,068,296
Others		<b>190,349</b>	234,053
	<i>21</i>	<b>P18,188,293</b>	P14,209,764

Receivables from members are generally collectible on a 30-day term. Receivables from employees pertain to advances and emergency loans. Interest income from receivables from employees amounting to P60,897 and P4,040 in 2023 and 2022, respectively, is recorded under "Other income" account in statements of income and expenses (see Note 19).

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## 6. Inventories

Inventories consist of:

	<b>2023</b>	2022
Food and beverage	<b>P3,778,159</b>	P2,666,878
Others	<b>600,938</b>	676,135
	<b>P4,379,097</b>	P3,343,013

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Other inventories pertain to sports and recreation, cleaning, and housekeeping supplies. Total food and beverage inventories recognized as an expense during the period amounted to P37,406,762 and P24,590,717 for the years ended December 31, 2023 and 2022, respectively (see Note 15).

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## 7. Prepaid Expenses

This account consists of:

	<b>2023</b>	2022
Prepaid insurance	<b>P464,897</b>	P387,459
Prepaid tax	<b>654,111</b>	482,360
Other prepaid expenses	<b>606,906</b>	459,998
	<b>P1,725,914</b>	P1,329,817

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## 8. Property and Equipment

The movements and balances of this account are as follows:

	Note	Land	Buildings and Improvements	Sports Facilities and Equipment	Electrical and Mechanical Equipment	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures	Chinaware, Glassware, Silverware and Linen	Total
<b>Cost</b>										
January 1, 2022		P52,000,000	P110,649,622	P32,864,957	P21,792,769	P56,036,670	P2,572,650	P11,744,596	P18,592,135	P306,253,399
Additions		-	430,353	676,951	269,131	3,834,909	1,187,498	149,614	769,839	7,318,295
Disposals		-	-	-	-	-	(821,071)	-	-	(821,071)
December 31, 2022		52,000,000	111,079,975	33,541,908	22,061,900	59,871,579	2,939,077	11,894,210	19,361,974	312,750,623
Additions		-	2,752,302	1,372,085	424,964	10,781,301	75,357	2,240,004	747,890	18,393,903
Disposals		-	-	-	-	-	(56,964)	-	-	(56,964)
<b>December 31, 2023</b>		<b>52,000,000</b>	<b>113,832,277</b>	<b>34,913,993</b>	<b>22,486,864</b>	<b>70,652,880</b>	<b>2,957,470</b>	<b>14,134,214</b>	<b>20,109,864</b>	<b>331,087,562</b>
<b>Accumulated Depreciation</b>										
January 1, 2022		-	81,062,802	31,814,034	21,110,436	51,912,202	2,572,650	10,388,821	17,590,566	216,451,511
Depreciation	20	-	2,556,011	580,381	310,265	2,241,763	19,790	503,207	552,458	6,763,875
Disposals		-	-	-	-	-	(821,071)	-	-	(821,071)
December 31, 2022		-	83,618,813	32,394,415	21,420,701	54,153,965	1,771,369	10,892,028	18,143,024	222,394,315
Depreciation	20	-	2,751,782	509,867	309,641	3,039,483	248,804	656,623	558,492	8,074,692
Disposals		-	-	-	-	-	(56,964)	-	-	(56,964)
<b>December 31, 2023</b>		<b>-</b>	<b>86,370,595</b>	<b>32,904,282</b>	<b>21,730,342</b>	<b>57,193,448</b>	<b>1,963,209</b>	<b>11,548,651</b>	<b>18,701,516</b>	<b>230,412,043</b>
<b>Net Carrying Amount</b>										
December 31, 2022		P52,000,000	P27,461,162	P1,147,493	P641,199	P5,717,614	P1,167,708	P1,002,182	P1,218,950	P90,356,308
December 31, 2023		<b>P52,000,000</b>	<b>P27,461,682</b>	<b>P2,009,711</b>	<b>P756,522</b>	<b>P13,459,432</b>	<b>P994,261</b>	<b>P2,585,563</b>	<b>P1,408,348</b>	<b>P100,675,519</b>

As expressly stated in the annotations to Transfer Certificate of Title No. S-11306, regarding the land owned by the Club, the property cannot be subdivided and shall be used exclusively for the construction and maintenance thereon of a clubhouse and appropriate sports facilities for the use of the members of the Club. Moreover, the clubhouse to be constructed on the lot shall not occupy an area exceeding 30% of the lot and must have a maximum height of 15 meters measured vertically from the highest projection of the building proper to the natural ground level directly beneath such projection. The remaining 70% of the lot may be used for the construction of appropriate sports facilities and/or parking space.

## 9. Investments

The Club's investments consists of:

	<b>Note</b>	<b>2023</b>	<b>2022</b>
Current:			
Investment in bonds	21	<b>P -</b>	P4,000,000
Noncurrent:			
Investment in bonds	21	<b>26,940,643</b>	22,690,643
Investment in shares of stock	21	<b>9,131,240</b>	5,299,165
		<b>P36,071,883</b>	P31,989,808

### Investment in Shares of Stock

Investment in shares of stock represents investment in preferred shares of listed companies. The Club acquired preferred shares of listed companies with cost amounting to P4,000,000, P2,299,165, and P3,000,000 in 2023, 2021, and 2020. Unrealized loss due to change in fair value of equity shares amounted to P167,925 and nil in 2023 and 2022.

Dividend income earned from the investment in shares of stock amounted to P285,530 and P217,889 in 2023 and 2022, respectively (see Note 19).

### Investment in Bonds

On October 30, 2020, the Club acquired at stated value from BDO Unibank, Inc. - Trust and Investment Group a 3-year fixed rate corporate bond amounting to P4,000,000. The investment earns an annual interest of 3.48% and will mature on October 30, 2023. In 2022 the investment has been classified as a current asset under "Investment in bonds" account. The said investment matured in 2023.

On March 9, 2021, the Club acquired at stated value from Metropolitan Bank and Trust Company a Retail Treasury Bill amounting to P8,040,643. The investment earns at a coupon rate of 2.38% per annum and will mature on March 9, 2024. On September 05, 2022, the bond was redeemed prior to maturity but was then reinvested for the same amount at a new coupon rate of 4.45% per annum and will mature on a, 2027.

On March 16, 2021, the Club acquired at stated value from BDO Capital & Investment Corporation a 5-year corporate bond amounting to P3,150,000. The investment earns at a coupon rate of 3.82% per annum and will mature on March 15, 2026.

On December 2, 2021, the Club acquired at stated value from Metropolitan Bank and Trust Company a Retail Treasury Bill amounting to P4,500,000. The investment earns at a coupon rate of 4.63% per annum and will mature on June 2, 2027.

On March 4, 2022, the Club acquired at stated value from Metropolitan Bank and Trust Company a Retail Treasury Bill amounting to P2,000,000. The investment earns at a coupon rate of 4.88% per annum and will mature on March 4, 2027.

On November 29, 2022, the Club acquired at stated value from BDO Capital & Investment Corporation a 5-year corporate bond amounting to P5,000,000. The investment earns at a coupon rate of 6.40% per annum and will mature on November 29, 2027.

On June 30, 2023, the Club acquired at stated value from Metropolitan Bank and Trust Company a Fixed Rate Bonds amounting to P4,250,000. The investment earns at a coupon rate of 4.80% per annum and will mature on June 30, 2026.

Interest income from the said investments amounted to P1,140,312 and P600,812 in 2023 and 2022, respectively (see Note 19).

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## 10. Accounts Payable and Accrued Expenses

This account consists of:

	<i>Note</i>	2023	2022
Payable to government agencies		<b>P10,182,260</b>	P6,983,101
Accounts payable		<b>6,418,761</b>	4,561,613
Accrued expenses:			
Employee benefits		<b>696,420</b>	699,805
Professional fees		-	308,000
Others		<b>540,967</b>	747,933
Other payables		<b>753,382</b>	604,334
	<b>21</b>	<b>P18,591,790</b>	P13,904,786

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Accounts payable are non-interest bearing and are normally settled within 30-60 days. Accounts payable pertains mainly to trade payables arising from the ordinary course of business.

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## 11. Unearned Membership Dues and Other Deposits

This account consists of:

	2023	2022
Prepaid membership for one year	<b>P5,850,839</b>	P5,597,720
Membership dues billed in advance	<b>2,539,250</b>	2,532,250
Miscellaneous deposits from members	<b>2,404,511</b>	1,154,847
	<b>P10,794,600</b>	P9,284,817

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Prepaid membership for one year represents the unexpired portion of annual membership dues.

Membership dues billed in advance represent monthly membership dues to be applied in January of the following year for members, associates and lifetime members.

Miscellaneous deposits from members represent advance payments made by members as reservation fees for using the Club's functions.

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## 12. Members' Equity

### Capital Stock

The Club's capital stock consists of Class A and B stock with no par value. Class A stock is exclusive to Filipino citizens, while Class B stock may be issued to both Filipino citizens and aliens. No transfer of stock or interest that will reduce the ownership of Filipino citizens to less than 70% of the subscribed capital stock shall be allowed or permitted to be recorded in the stock and transfer book of the Club.

As provided for in Section 33 of the Club's By-laws, the Club has a preferential lien on the stock of members as security for any amounts that may be due to the Club.

### Sale of Delinquent Stocks

In 2023, the Club sold 1 delinquent stock with cost of P1,034,003. The delinquent stock was sold for a total consideration with cost of P2,000,000. The difference between the consideration received and the cost of delinquent stock amounting to P965,997, was recognized as additional paid-in capital.

In 2022, the Club sold 2 delinquent stocks with cost of P1,121,514. The delinquent stock was sold for a total cash consideration of P2,150,000. The difference between the consideration received and the cost of delinquent stock amounting to P1,028,486 was recognized as additional paid-in capital.

### Reissuance of Treasury Stocks

In 2023, there were reissuances of treasury stocks amounting to P102,939. The treasury stocks were reissued for a total of consideration with a cost of P2,500,000. The difference between the consideration received and the cost of reissued treasury stock amounting to P2,397,061, was recognized as additional paid-in capital. In 2022, there were no reissuances of treasury stocks.

### Appropriation of Accumulated Excess of Income over Expenses

In 2023, the BOD appropriated an amount of P19,000,000 from the Club's accumulated excess of income over expenses for the following future capital expenditures of the Club: (a) New mechanical machine for the bowling lanes; (b) Providing ramps for Person With Disabilities (PWD) in the Club's vicinity and; (c) General appropriation to acquire and/or upgrade the facilities of the Club.

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## 13. Income Taxes

The component of the Club's income tax expense recognized in the statements of income and expenses are as follows:

	<b>2023</b>	2022
Current tax	<b>P293,745</b>	P33,991
Deferred tax	<b>418,358</b>	491,822
	<b>P712,103</b>	P525,813

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In 2023 and 2022, the current tax arises from the Minimum Corporate Income Tax (MCIT). The reconciliation of the income tax expense computed at the statutory tax rate to the income tax expense recognized in the statements of income and expenses is as follows:

	2023	2022
Excess of income over expenses before income tax	<b>P20,547,908</b>	P12,729,017
Expected tax at 25% statutory rate	<b>P5,136,977</b>	P3,182,254
Additions (reductions) in income tax resulting from the tax effects of:		
Unrecognized deferred tax assets	<b>7,496,228</b>	8,941,953
Nontaxable membership dues	<b>(11,519,493)</b>	(11,391,021)
Interest income subjected to final tax	<b>(330,226)</b>	(152,901)
Dividend income	<b>(71,383)</b>	(54,472)
	<b>P712,103</b>	P525,813

Deferred tax assets are attributable to the following:

2023	Balance at January 1	Recognized in Income and Expenses	Recognized in OCI	Balance at December 31
Retirement benefits liability	<b>P5,620,937</b>	<b>(P191,380)</b>	<b>P567,362</b>	<b>P5,996,919</b>
Excess of MCIT over RCIT	<b>568,605</b>	<b>(226,978)</b>	-	<b>341,627</b>
Accrued liability	<b>25,323</b>	-	-	<b>25,323</b>
	<b>P6,214,865</b>	<b>(P418,358)</b>	<b>P567,362</b>	<b>P6,363,869</b>

2022	Balance at January 1	Recognized in Income and Expenses	Recognized in OCI	Balance at December 31
Retirement benefits liability	P5,882,665	(P525,813)	P264,085	P5,620,937
Excess of MCIT over RCIT	534,614	33,991	-	568,605
Accrued liability	25,323	-	-	25,323
	P6,442,602	(P491,822)	P264,085	P6,214,865

In 2023 and 2022, deferred tax assets have not been recognized by the Club in respect of NOLCO and change in fair value of investment in shares of stocks, as it is not probable that future taxable income will be available against which the Club can use the benefits therefrom.



Information on the Club's NOLCO is as follows:

Year Incurred	Amount	Expired	Unexpired	Expiry Date
2023	P6,933,523	P -	P6,933,523	December 31, 2026
2022	8,941,952	-	8,941,952	December 31, 2025
2021	10,816,470	-	10,816,470	December 31, 2026
2020	14,455,477	-	14,455,477	December 31, 2025
			<b>P41,147,422</b>	

*NOLCO and MCIT have expiration of three (3) years from the year incurred. However, for NOLCO incurred by the Club in 2020 and 2021, Section 4 of RR No. 25-2020 provides that businesses or enterprises which incurred net operating loss for taxable years 2020 and 2021 shall be allowed to carry over the same as a deduction from gross income for the next five (5) consecutive taxable years, immediately following the year of such loss, unless otherwise disqualified*

Information on the Club's Excess MCIT over RCIT is as follows:

Year Incurred	Amount	Expired	Unexpired	Expiry Date
2023	P293,745	P -	P293,745	December 31, 2026
2022	33,991	-	33,991	December 31, 2025
2020	13,891	13,891	-	December 31, 2023
2019	520,723	520,723	-	December 31, 2022
<b>P862,350</b>		<b>P534,614</b>	<b>P327,736</b>	

***Enactment of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act***  
On March 26, 2021, the President of the Philippines has approved the CREATE Act, with nine (9) provisions vetoed by the President. Below are the salient features of the Act that are relevant to the Club:

- Corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 1, 2020.
- MCIT rate is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.

#### **14. Retirement Plan**

The Club maintains a funded, noncontributory, defined benefit retirement plan covering substantially all of its regular employees. Retirement benefits cost was determined using the projected unit credit method in compliance with Section 28 of PFRS for SMEs, *Employee Benefits*. The Club engaged the services of an actuary for the valuation of its retirement benefits on a periodic basis. The latest actuarial valuation date is February 7, 2024.

The net defined benefit liability is shown below:

	<b>2023</b>	2022
Present value of defined benefit obligation	<b>P23,701,724</b>	P22,700,386
Fair value of plan assets	<b>(12,200,754)</b>	(11,345,551)
Retirement benefits liability	<b>P11,500,970</b>	P11,354,835

The movements in the present value of defined benefit obligation as at December 31 are shown below:

	<b>2023</b>	2022
Balance at beginning of year	<b>P22,700,386</b>	P22,027,463
Current service cost	<b>1,454,213</b>	1,362,248
Interest cost	<b>1,518,656</b>	1,011,061
Benefits paid	<b>(4,240,977)</b>	(2,756,725)
Actuarial loss	<b>2,269,446</b>	1,056,339
Balance at end of year	<b>P23,701,724</b>	P22,700,386

The movements in the fair value of plan assets as at December 31 are shown below:

	<b>2023</b>	2022
Balance at beginning of year	<b>P11,345,551</b>	P8,767,160
Contributions	<b>4,800,000</b>	5,000,000
Expected return on plan assets	<b>296,180</b>	335,116
Benefits paid	<b>(4,240,977)</b>	(2,756,725)
Balance at end of year	<b>P12,200,754</b>	P11,345,551
Actual return on plan assets	<b>P296,180</b>	P335,116

The components of retirement benefits cost recognized under “Administrative and general expenses” account in the statements of income and expenses consist of:

	<i>Note</i>	<b>2023</b>	2022
Current service cost		<b>P1,454,213</b>	P1,362,248
Interest cost		<b>1,518,656</b>	1,011,061
Expected return on assets		<b>(296,180)</b>	(335,116)
Retirement benefits cost	<i>20</i>	<b>P2,676,689</b>	P2,038,193

The components of remeasurement loss on retirement benefits liability under OCI in the statements of comprehensive income consist of actuarial loss on defined benefit obligation amounting to P2,269,446 and P1,056,339 in 2023 and 2022, respectively.

The movements in the retirement benefits liability are shown below:

	<b>2023</b>	2022
Balance at beginning of the year	<b>P11,354,835</b>	P13,260,303
Retirement benefits cost	<b>2,676,689</b>	2,038,193
Actual contributions	<b>(4,800,000)</b>	(5,000,000)
Actuarial loss on retirement benefits liability	<b>2,269,446</b>	1,056,339
	<b>P11,500,970</b>	P11,354,835

The components of the fair value of plan assets consist of the following:

	<b>2023</b>	2022
Government securities and corporate bonds	<b>33%</b>	85%
Bank deposits	<b>67%</b>	15%
	<b>100%</b>	100%

The principal actuarial assumptions at the reporting date are as follows:

	<b>2023</b>	2022
Discount rate	<b>6.02%</b>	6.69%
Expected rate of return on plan asset	<b>5.00%</b>	3.50%
Salary increase rate	<b>3.50%</b>	5.00%

Key management compensation amounted to P2,578,200 and P1,715,279 in 2023 and 2022, respectively.

## **15. Food and Beverage**

Details of income and expenses of clubhouse operations from food and beverage for the years ended December 31 are as follows:

	<b>2023</b>	2022
<b>Sales</b>		
Food	<b>P80,320,742</b>	P50,293,858
Beverage	<b>1,163,634</b>	1,011,099
Other income	<b>10,193,562</b>	3,357,821
	<b>91,677,938</b>	54,662,778
<b>Cost of Sales</b>		
Food	<b>36,745,931</b>	24,192,168
Beverage	<b>660,831</b>	398,549
	<b>37,406,762</b>	24,590,717
<b>Gross Profit</b>	<b>54,271,176</b>	30,072,061
<b>Other Direct Costs and Expenses</b>		
Payroll and related expenses	<b>15,172,039</b>	13,126,914
Electricity and water	<b>6,632,728</b>	5,262,376
Contractual services	<b>2,817,270</b>	923,315
Materials and supplies	<b>2,155,915</b>	1,866,338
Kitchen fuel	<b>2,111,489</b>	1,664,763
Repairs and maintenance	<b>1,042,116</b>	874,277
Laundry	<b>953,483</b>	631,683
Music and entertainment	<b>92,895</b>	10,526
Miscellaneous	<b>393,238</b>	288,270
	<b>31,371,173</b>	24,648,462
<b>Income from Operations</b>	<b>P22,900,003</b>	P5,423,599

Other income pertains to raffle tickets earned for events in 2023 and various items that are individually immaterial.

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## 16. Sports and Recreation

Details of income and expenses from clubhouse operations from sports and recreation for the years ended December 31 are as follows:

	2023	2022
<b>Revenues</b>		
Tennis, badminton, pelota and squash	<b>P1,913,121</b>	P1,626,422
Locker rental	<b>626,800</b>	553,240
Gym fees	<b>468,622</b>	268,548
Swimming fees	<b>248,595</b>	130,660
Bowling fess	<b>201,695</b>	16,818
Aikido and kendo	<b>120,000</b>	80,000
Sauna, massage and slimnastics	<b>47,700</b>	29,052
Towel rental	<b>42,644</b>	75,461
Boxing	<b>17,733</b>	1,500
Tournament	<b>5,000</b>	-
Others	<b>498,236</b>	299,393
	<b>4,190,146</b>	3,081,094
<b>Direct Costs and Expenses</b>		
Payroll and related expenses	<b>3,463,620</b>	2,534,000
Electricity and water	<b>2,946,396</b>	2,386,970
Repairs and maintenance	<b>784,987</b>	379,218
Materials and supplies	<b>557,531</b>	483,215
Laundry	<b>105,899</b>	51,283
Contractor fees	<b>97,347</b>	58,557
Miscellaneous	<b>334,323</b>	332,934
	<b>8,290,103</b>	6,226,177
<b>Loss from Operations</b>	<b>(P4,099,957)</b>	(P3,145,083)

Other revenue includes various items that are individually immaterial.

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## 17. Beauty Parlor

Details of income and expenses from clubhouse operations from beauty parlor for the years ended December 31 are as follows:

	2023	2022
<b>Beauty Parlor Income</b>	<b>P734,970</b>	P418,400
<b>Direct Costs and Expenses</b>		
Electricity and water	<b>301,780</b>	241,265
Contractor fees	<b>300,968</b>	146,797
Materials and supplies	<b>51,335</b>	20,731
Miscellaneous	<b>56,446</b>	16,159
	<b>710,529</b>	424,952
<b>Income (Loss) from Operations</b>	<b>P24,441</b>	(P6,552)

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**18. Barber Shop**

Details of income and expenses from clubhouse operations from barber shop for the years ended December 31 are as follows:

	<b>2023</b>	2022
<b>Barber Shop Income</b>	<b>P641,425</b>	P363,090
<b>Direct Costs and Expenses</b>		
Contractor fees	<b>348,658</b>	215,316
Electricity and water	<b>108,279</b>	88,481
Materials and supplies	<b>35,709</b>	16,682
Repairs and maintenance	<b>18,000</b>	-
Miscellaneous	<b>99,467</b>	26,649
	<b>610,113</b>	347,128
<b>Operating Income</b>	<b>P31,312</b>	P15,962

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**19. Other Income - net**

Other income consists of:

	<b>Note</b>	<b>2023</b>	2022
Interest income from cash and cash equivalents and investment	4, 9	<b>P1,320,904</b>	P611,602
Income from concessionaires		<b>471,879</b>	237,750
Dividend income	9	<b>285,530</b>	217,889
Interest income from receivables from employees	5	<b>60,897</b>	4,040
Gain on sale of equipment		<b>10,000</b>	428,572
Unrealized loss from change in fair value of investments in stocks	9	<b>(167,925)</b>	-
Miscellaneous income		<b>184,434</b>	440,777
		<b>P2,165,719</b>	P1,940,630

Miscellaneous income consists mainly of parking fees and sale of car stickers and identification cards.

## 20. Administrative and General Expenses

Details of administrative and general expenses for the years ended December 31 are as follows:

	<b>Note</b>	<b>2023</b>	<b>2022</b>
Payroll and related expenses		<b>P17,334,168</b>	P14,265,950
Depreciation	8	<b>8,074,692</b>	6,763,875
Security and janitorial services		<b>4,848,684</b>	2,722,903
Retirement benefits cost	14	<b>2,676,689</b>	2,038,193
Medical and dental		<b>1,601,091</b>	1,957,367
Postage, telephone and messengerial services		<b>1,598,313</b>	1,365,215
Office supplies		<b>1,422,835</b>	982,389
Contractual services		<b>1,297,784</b>	701,565
Taxes and licenses		<b>1,232,184</b>	663,226
Electricity and water		<b>1,139,146</b>	904,650
Materials and supplies		<b>1,068,097</b>	832,318
Real property tax		<b>845,950</b>	845,950
Professional fees		<b>829,309</b>	496,250
Insurance		<b>573,505</b>	419,889
Repairs and maintenance		<b>519,060</b>	467,951
Gas and oil		<b>401,075</b>	514,833
Association dues		<b>247,000</b>	247,000
Club events and meetings		<b>139,530</b>	112,829
Seminars and trainings		<b>11,957</b>	25,219
Miscellaneous		<b>690,514</b>	736,051
		<b>P46,551,583</b>	P37,063,623

## 21. Financial Assets and Financial Liabilities Categories

	<b>Note</b>	<b>2023</b>	<b>2022</b>
<b>Financial Assets Measured at Amortized Cost</b>			
Cash and cash equivalents	4	<b>P36,386,680</b>	P28,814,597
Receivables	5	<b>18,188,293</b>	14,209,764
Investment in bonds	9	<b>26,940,643</b>	26,690,643
<b>Financial Assets Measured at Fair Value through Profit or Loss</b>			
Investment in shares of stock	9	<b>9,131,240</b>	5,299,165
		<b>P90,646,856</b>	P75,014,169
<b>Financial Liabilities at Amortized Cost</b>			
Accounts payable and accrued expenses*	10	<b>P8,409,530</b>	P6,921,685

\*Excluding payable to government agencies amounting to P10,182,260 and P6,983,101 in 2023 and 2022, respectively

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**22. Supplemental Information Required by the Bureau of Internal Revenue (BIR)**

In addition to the disclosures mandated under PFRS for SMEs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS for SMEs. The following are the tax information/disclosures required for the taxable year ended December 31, 2023:

**Based on RR No. 15-2010****A. VAT**

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1. Output VAT	<b>P11,505,301</b>
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Basis of output VAT: Vatable receipts	<b>P95,877,512</b>
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2. Input VAT	
Balance at beginning of the year	P -
Current year's domestic purchases:	
a. Goods for resale/manufacture or further processing	<b>3,466,111</b>
b. Services lodged under other accounts	<b>1,198,836</b>
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Balance at end of the year	<b>4,664,947</b>
Less: Applied to Output VAT	<b>4,664,947</b>
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Balance at the end of year	P -

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**B. Withholding Taxes**

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Creditable withholding taxes	<b>P1,207,111</b>
Tax on compensation and benefits	<b>1,137,524</b>
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	<b>P2,344,635</b>

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**C. All Other Taxes**

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<b><i>Other taxes paid during the year recognized under "Taxes and licenses" and "Real property tax" accounts under administrative and general expenses</i></b>	
Permits and licenses	<b>P1,232,184</b>
Real property tax	<b>845,950</b>
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	<b>P2,078,134</b>

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**D. Tax Assessments**

On February 12, 2024, the Club received Letter of Authority from the BIR to examine books of accounts and other accounting records for all internal revenue taxes for the period from January 1, 2021 to December 31, 2021.

## **E. Tax Cases**

The Club has no tax cases as at December 31, 2023.

All other information/disclosures required under Revenue Regulations 15-2010 are not applicable to the Club.

### **Based on RR No. 34-2020**

In relation to Section 4 of BIR Revenue Regulations No. 34-2020, the Club is not covered by the prescribed requirements and procedures for the submission of BIR form No. 1709 Information Return on Related Party Transactions, Transfer Pricing Documentation and other supporting documents.