2020 ANNUAL REPORT

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Vision & Mission Statement

"To be the preferred membership club in terms of facilities, activities, food & beverage, service quality and overall value in the country."

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Message to Shareholders

Dear Fellow Shareholders,

The year 2020 had been a very difficult and challenging year like no other, not only for Club Punta Fuego, but for all companies worldwide. One year beyond the COVID-19 pandemic and we are still not seeing the end of it. The Club's total operating revenues for 2020, which is largely dependent on the leisure and travel industry, dropped by 70% from its 2019 performance of Php167.4 million, as one disaster after another hit us on the first quarter of 2020. The eruption of the nearby Taal Volcano on January 12, 2020, caused substantial cancellations in room bookings resulting to a reduction of 26% on total revenues. While still recovering from the aftermath of this calamity, the Club was forced to cease its operations on March 17, 2020 in compliance with the nationwide lockdown imposed by the Philippine government in response to the COVID-19 pandemic. It is only due to the Club's strong membership base, that the decrease in this year's total consolidated revenues of Php108.1 million narrowed down to only 50% from last year's Php217.7 million, as revenues from membership dues of Php56.2 million reflected an increase of 12%, while income from the Marina hit its Php20.0 million mark, registering a growth of 5%. These were however, not enough to cushion lost revenues from months of non-operation while spending for the upkeep, maintenance and safety of the Club's infrastructures and facilities, and meeting contractual and statutory obligations. As such, the Club ended its 2020 operations with a net loss of Php23.3 million.

On the positive side, we noted a relevant 50% increase in the price of our share by the end of 2020. Our coastal location and mostly open-air and outdoor facilities offering a safe haven for members and their families, coupled with the high quality of services and well-maintained facilities, made membership to our Club highly sought-after. We sold (8) treasury shares during the year, and registered (17) transfers of ownership thru the secondary market. To match this soaring demand for our Club membership, our efforts geared towards continuously improving the Club's facilities, amenities and services.

This year, we again offered the annual membership dues promotion for 2021, where 62% of our members availed, and for which we are very thankful. Considering the situation, we have extended the validity of our 2020 coupons until August 2021. Had it not been for our members who faithfully supported the Club, we could have not held our ground and face this unprecedented crisis from a strong position. Although the Club's operations during the pandemic resulted to a net loss of Php23.3 million as mentioned above, cash level by the end of the year remained secure at Php53.3 million. This registered only a 17% decrease from its pre-pandemic balance of 64.5 million in 2019, while the Club was still able to sustain its operations and finance acquisitions for the year totaling Php8.2 million.

We thus would like to end this message with a note of assurance to our fellow members – that although the impacts of the COVID-19 pandemic continue to affect the Club's operations and business, with your patronage and support, we are confident that we can endure this situation and sustain our financial capability, maintain and secure the Club's infrastructures, facilities and amenities, and ensure adaptability of the Club's operations, systems and processes to the current pandemic environment to guarantee our business continuity. Health and safety will remain to be our utmost consideration. Thank you and take care.

Erickson Y. Manzano
President

Pedro E. Roxas
Chairman

Review of Operations

MEMBERSHIP

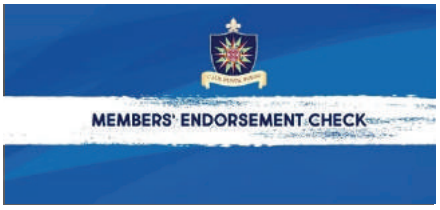
Membership in Club Punta Fuego is a privilege. To become a member, one has to undergo an application, posting, interview and approval process. The Club membership consists of two types. ***Regular members*** are natural persons and juridical entities who are registered owners of shares of stock. ***Associate members*** are owners of lots at the Peninsula de Punta Fuego and Terrazas de Punta Fuego residential projects who opted to activate their membership with the Club as nominees of either Roxaco Land Corporation, Landco Pacific Corporation or their affiliates. Both types of membership enjoy the same rights and privileges, but only Regular members have the right to vote and have claims to the assets and property of the Club.

As of December 31, 2020, the Club has a total of 1398 members – a moderate increase from last year's 1,391 members. 27 new members were welcomed and 20 members opted to deactivate their membership. The Club management and its Board of Directors continue their efforts to strengthen the value of the Club's membership.

YEAR MEMBER	2018	2019	2020
Regular	771	788	795
Associate	614	603	603
TOTAL	**1,385**	**1,391**	**1,398**

MEMBERSHIP HIGHLIGHTS

Members' Endorsement Check Program



The *Members' Endorsement Check Program* allows members to endorse their family and friends to experience and enjoy Club Punta Fuego's facilities and amenities. This program establishes a market footprint that benefits the Club as guests kept coming back for leisure activities. This Program also opens an avenue for potential new members who were given an opportunity to experience the unique features of Punta Fuego, leading to direct purchases of Club shares.

Due to the Covid-19 pandemic, endorsement checks for the year 2020 under the Share and Win Campaign was suspended.

Members' Birthday and Anniversary Program

The most patronized and appreciated program by members are the *Birthday and Anniversary* coupon. This program creates occasions for families to bond together and enjoy the many facilities and dining outlets of the Club.

Members and their qualified dependents have the option between availing an overnight accommodation with complimentary breakfast, lunch, and dinner for two persons at the room of their choice, or a 90-minute Hilot Therapy with complimentary lunch and dinner for two persons.

To show our gratitude to our members who have been steadfastly supporting the Club, we have extended the validity and usage until 2021 for them to fully enjoy the benefits of being a Club Punta Fuego member.

Review of Operations

2021 Annual Membership Dues Promo

The *Annual Membership Dues Promo* for 2021 was launched in October 2020, offering a wide selection of discounts and freebies for members who opted to pay in advance their annual membership dues for the following year. This year's incentive is valued at almost twice of the current annual membership dues which includes an early bird gift for those who paid on or before October 31, a one-month discount on membership dues, increased quarterly consumables, free overnight accommodations, free use of cabanas, and food and beverage items and so on. Of the total 1,398 members, 62% or 865 individuals availed of the *2021 Annual Membership Dues Promo*.

In consideration of the situation under the COVID-19 pandemic, the charging of interest on delayed payments was suspended. Additionally, as a gesture of our gratitude to our members, the expiry of the 2020 annual dues coupons and the use of the monthly and quarterly consumables was extended until August 31, 2021.

ACCOMMODATION

For its Mediterranean-inspired accommodation facility, Club Punta Fuego has 33 Casitas and 15 Sunset Suites. The Casitas are a cluster of 60-square meter rooms furnished with queen-sized beds and pocket gardens in its bathrooms, a unique feature that foster relaxation to occupants. Each room has a veranda, a number of which are fronting the stunning view of the West Philippine Sea. Members and their guests can thus choose to stay in either sea-view or garden-view Casitas.

The Sunset Suites, on the other hand, aside from its Loft Suites, consist of rooms that are smaller than the Casitas. Every room on one side of the structure has a unique layout, which is mirrored on its other side. Most of the rooms allow occupants a breathtaking view of the sea. Regular annual repair and maintenance works including repainting on the interiors and exteriors of both types of rooms were done during the year. Installation of CAT-6 cables and alignment of internet access points, network balancing, frequency allocations, antenna beam signal for each Casitas Cluster were also done.

FOOD AND BEVERAGES

SAN DIEGO RESTAURANT. Named after the ship that sailed past its overlooking waters over 400 years ago, San Diego is an all-day dining restaurant that serves Asian and Continental food varieties. Boasting a spacious dining area for 200 persons, members and guests have the option of dining in air-conditioned comfort or natural breeze with our al fresco at the San Diego Terrace. San Diego Restaurant offers daily breakfast buffet, Saturday dinner themed buffet and as well as Sunday brunch buffet. The yearly repair and maintenance works on air-conditioning and electrical system of the restaurant were done. During the lockdown, we have repaired the kitchen floor drain pit trap, retiled the kitchen flooring and installed wall-mounted exhaust hoods, and refurbished the gas lines for the kitchen area.

Review of Operations

T&C BAR AND LOUNGE. Overlooking the view of the sea and our signature double infinity pool where the sunset could be observed, the T&C (Tradition and Contradiction) Bar and Lounge display an array of traditional and contradicting elements, both in design and in its food selection. A lounge, a dining area and a wine cellar suitable for private gatherings, T&C Bar and Lounge prides its central bar, serving an exquisite array of wine and cocktails, beers, coffee, teas and fruit shakes. Its Spanish-Mediterranean menu includes dishes from both traditional Spanish tapas and modern, contradicting ones that complement each other.

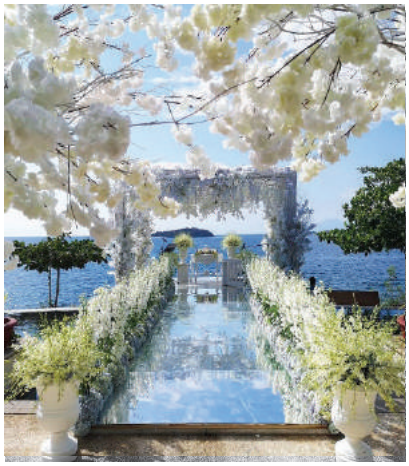
IL JARDINETO. Il Jardineto is an Italian outdoor restaurant located at the Lower Beach Club overlooking the pool and the beach that offers authentic and rustic Italian dishes which are simple but rewarding. The al fresco dining is perfect for the Lower Beach Club members and guests who lounge by the pool after a swim or from an exciting water sports experience. Il Jardineto has also become a favorite wedding venue at the Club due to its rustic charm and intimate setting.

BARRACUDA BAR. Opened in 2010, the Barracuda Bar sits right in front of the Punta Fuego Yacht Club offering another al fresco dining set-up right in front of the sea and the floating berths nestling members' boats. The Barracuda Bar serves as the usual venue for the opening and closing ceremonies of the annual Punta Fuego Regatta. With a relaxed atmosphere, Barracuda Bar mainly offers sandwiches, burgers, sausages and pizzas cooked from a brick oven. This outlet is a perfect place for resting after an outdoor activity and a place for quick catch-up with friends and family.

CAFÉ SOL. Located at Terrazas de Punta Fuego Beach Club, Café Sol offers Asian cuisine serving mostly seafood in a beachfront setting. The outside trellises around the restaurant were converted into permanent roofing structures, providing a more comfortable shelter to members and their guests especially during the monsoon season. Here, members and guests are accorded a picturesque view of either the sea or the mountain range of Nasugbu. In 2020, additional dining tables were purchased.

JUICE BAR. Situated along the Terrazas Cabanas and overlooking the long stretch of Terrazas beach with its breezy ambiance, the bar serves fresh fruit juices and shakes, as well as cocktails and beers.

MEETINGS, BANQUETS AND WEDDINGS



The Club has five function rooms for convention, socials, planning and other events. San Ambrosio, San Carlos and San Pablo I and II are located at the Main Club, while the ballroom is located at the Upper Beach that is suitable for weddings and banquets.

Located at the 2nd floor of the San Diego Restaurant and with an area of 250 square meters, the San Pablo I & II function rooms with floor-to-ceiling windows can accommodate up to a maximum of 200 persons making it the largest indoor venue for group gatherings. The Upper Beach Ballroom can accommodate up to 150 persons and a favorite for indoor wedding set-up.

Club Punta Fuego offers full wedding packages with a choice of wedding venues providing scenic landscape, such as a beach wedding at the Terrazas Beach Club, a tranquil and romantic ceremony at the Single Infinity Pool, a rustic setting at the Lower Beach, or an indoor intimate reception setting at Upper Beach Club. The Club hosted seven (7) weddings and one (1) social event from January to March 2020, pre-pandemic.

SPORTS AND RECREATION

In addition to the four swimming pools and access to a number of beaches inside the Peninsula, the Club offers other various recreational facilities such as the following:

- Squash Court
- Tennis Court
- 20-seater Mini Theater
- Business Center
- Gym
- Indoor activities:
  - *Nintendo Wii*
  - *PlayStation 3*
  - *Billiards*
  - *Tables tennis*
  - *Football*
  - *Dart*
  - *Board games*
  - *Play pen*
  - *Castle for toddlers*
- Mini golf facility
- 9-hole executive golf course designed by Nelson Haworth, a favorite with its lush foliage and magnificent view of the stunning crystal blue waters of the Nasugbu coast.

The Club regularly maintained all sports and recreational facilities. In 2020, the flooring of the single infinity floor was re-tiled, and the landscape perimeter was re-designed with pebbles and stones. For the golf course, the 25-HP submersible pump motor and pipes for the irrigation system of the golf area was replaced.

The Club, through its water sports concessionaire, offers a wide variety of water sports activities with their jet skis, banana boat, wing tube, kayak, and wake boards, among others. A boat can also be chartered for an island hopping experience.

PUNTA FUEGO YACHT CLUB

The Club's Marina includes berthing, dry boat storage and mooring facilities. It offers a range of services from boat maintenance, launch and recovery of boats, and supply of power, water and fuel, among others. Its operation is growing in terms of the number of boats it services each year. In 2020, a total of 259 boats were stored in its dry parking facilities while 53 vessels were in its floating berths. The PFYC launched and recovered 1,636 times, boats, jet skis, and hobies with parking contracts. The PFYC also assisted in the arrival and departure of in-house vessels 766 times, assisted 648 visiting vessels, and launched 204 visiting watercrafts. A total of 190 job orders were done, and 441 outside contractors were assisted.

PFYC is also the central venue for all boating activities at the Club. The Yacht Club was the host for the 18th Punta Fuego Regatta and the 4th Punta Fuego - Busuanga Race for 2020.

TERRAZAS DE PUNTA FUEGO BEACH CLUB

The Terrazas Beah Club sits in an 800-meter stretch of unspoiled white sand beach, with its Hispanic-inspired architecture with Asian tropical touches. It is an extension facility of Club Punta Fuego and is twenty minutes away from Peninsula de Punta Fuego and a two-hour drive from Manila. Terrazas consists of day-tour facilities such as an infinity pool for kids and adults and an outdoor bubble pool at the water's edge. It also offers 28 Balinese- inspired Cabanas overlooking the sea that range in sizes for couples and families, in addition to two dining outlets, the Café Sol and the Terrazas Juice Bar.

In addition, Terrazas offers indoor and outdoor massage services. Members and guests can also enjoy their meals and refreshments at the comfort of their ocean view Cabanas. In 2020, a number of major projects were implemented in the facility, such as the repair of the riprapping at the back of the cabanas, the replacement of wooden planks in the boardwalk pathways, and the addition of wooden dining tables in the Café Sol restaurant.

Review of Operations

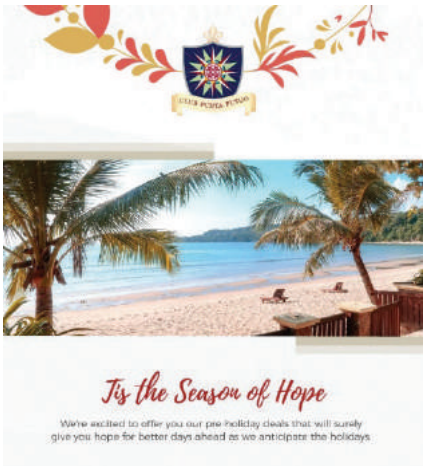
Events and Promotions Held

On March 15, 2020, in response to the development of the coronavirus into a full-blown pandemic, the Philippine government thru its Inter-Agency Task Force on Infectious Diseases, imposed a nation-wide Enhanced Community Quarantine (ECQ). As a result, the Club ceased its operations on March 17, 2020 and re-opened only on limited capacity during the year. In consideration of the health and safety of the members and their guests, the Club's promotions and events were limited to the following:

Month	Event
January	*Birthday & Anniversary Promo Launch, 18th Punta Fuego Regatta*
February	*Love in the Club – Rooms Promo, Valentine & Chinese New Year, Citi Escapades Promo, Valentine's Room Package Promo*
March	*3rd Punta Fuego-Busuanga Sail Boat Race, Busuanga Cup 2020*
June	*Forever Summer Rooms Rooms Promo*
July	*We Meet Again Rooms Promo*
October	*Members Getting Together Rooms Promo*
	Annual Club Dues Promo
November	*Tis the season of Hope Rooms Promo*
December	*21st Annual Shareholders Meeting*
	Christmas Dinner with Soloist
	New Year's Eve Dinner


Members Getting Together
That feel-good feeling of coming back after the long wait. Have it now and create more happy memories. We're reopening to members starting October 30. Choose from our various offers below valid until November 22, 2020.


Let's
REKINDLE
Additionally, we're open this Monday August 31, 2020
AIG


Tis the Season of Hope
We're excited to offer you our pre-holiday deals that will surely give you hope for better days ahead as we anticipate the holidays


2021
ANNUAL
MEMBERSHIP
DUES PROMO


21st
Club Punta Fuego, Inc.
Annual Shareholders' Meeting
Via Zoom
December 22, 2020, Tuesday, 10 a.m.


HAPPY
HOLIDAYS!
Everyone is trying their best to celebrate the holidays and make it as close to the merry memories in the past despite the restrictions. Let us take this opportunity to express our heartfelt gratitude for another year of support, no matter how challenging it has been for all of us.
It is still the most wonderful time of the year in spite of the social distancing. We hope you have a very Merry Christmas and enjoy the warmth and magic of the holiday season.


BACK TO THE 80s
Groove it, shake it, and dance the night away as we welcome 2021 with a blast from the past like it's the 80s. Feast on our sumptuous offers and celebrate a new year full of hope and optimism.
PHP 2,300
Health and safety protocols must be observed.
AIG


CHEERS!
HAPPY
NEW YEAR!
2020 will be a year seared in all our memories. It's been a year that has fundamentally challenged all areas of our lives and most of us have emerged victorious due to our resiliency. Pat yourself in the back and be inspired to create resolutions, set goals, and make life better.
Sending you our happy and prosperous new year wishes. May you have good health, prosperity, fulfillment, and a promising 2021.

Financial condition

Total assets of the Group as of end of 2020 stood at Php534.4 million registering a 3% decrease from last year's Php550.8 million. Due to the substantial decrease in business caused by the COVID-19 pandemic, cash and cash equivalents decreased by 17% from Php 64.5 million in 2019 to Php53.3 million in 2020. The Group was able to collect Php30.8 million from the advance payment of annual dues of members for the succeeding year 2021 registering a 50% turnout. This is 19% lower than last year's 61% turnout amounting to Php37.7 million. Given the situation, purchase of FF&E and investment in capital expenditures for the year slowed down, totaling Php5.3 million compared to Php20.0 million in 2019.

Total receivables increased by 2%, from Php30.9 million in 2019 to Php31.6 million in 2020. Receivables from members of Php30.1 million increased by 7% from last year's Php28.1 million, which in turn registered an 12% increase from the 2018 figure. On the other hand, other receivables which include receivables from credit cards and advances to suppliers, decreased by 48%. There are 1,398 members liable to pay dues by the end of 2020, compared to 1,391 members in 2019. The Group was not able to hold auctions for shares of delinquent members considering the pandemic situation, but was able to sell (8) treasury shares during the year. Although there were 21 members who activated their membership during the year, 17 members opted to deactivate. The Group maintained a 96% collection efficiency in 2020 and 2019, with 270 delinquent members and accountabilities totaling Php21.8 million as of end of 2020 (185 members in 2019 at Php15.6 million). Continuous efforts are being undertaken to collect on this, such as discontinued use of Club facilities, and the filing of collection suits. On February 24, 2021, the Club resumed the holding of the auction of shares of delinquent members thru remote communication (via the ZOOM) and successfully sold two shares.

Inventories and supplies decreased by 22% from Php8.2 million in 2019 to Php6.4 million in 2020. The Group's limited rooms and restaurant operations resulting to relevant reduction in business accounted for the decrease.

Prepayments and other current assets increased by 985% from Php2.6 million in 2019 to Php28.9 million in 2020. In preparation for the transfer of land ownership to the Group from its developer in exchange for the issuance of its remaining shares, the Club recognized the payment of documentary stamp taxes amounting to Php25.8 million. Prepayments also include the annual payments of premiums of property, general liability and employees' health insurance, and advance payment of 50% of association dues for the areas occupied by the Club in the Punta Fuego Peninsula at the rate of Php1.9/SQM for its golf areas in the Peninsula and Php3.75/SQM for its non-golf areas. Advance payment of dues to Terrazas de Punta Fuego of Php0.5 million (at Php4.50/SQM) was also paid. Both Village Associations did not increase their rates in 2020.

Property and equipment registered a net decrease of Php28.5 million (7%) from Php437.3 million in 2019 to Php408.8 million in 2020. Capital expenditures in 2020 amounted to Php5.3 million which included major repairs and replacements of FF&Es, compared to the Php20.0 million spent in 2019 which included the construction of a two-room SPA, the renovation of the male and female locker rooms at the Golf pavilion, the conversion of the kiddie play area into a GYM, the retrofitting of its Upper Beach Club building, the renovation of the Café Sol and PWD toilets in Terrazas, and in the Marina. These additions were offset by depreciation for the year amounting to Php33.6 in 2020 compared to Php33.1 million in 2019.

Accounts payable and accrued expenses showed a substantial decrease of 35% from Php29.1 million in 2019 to Php18.9 million in 2020, due to lower operating requirements, and at the same time, as suppliers struggled with their own liquidity challenges and tightened their otherwise flexible terms.

There are no known trends or known demands, commitments, events or uncertainties that will result in or that are reasonably like to result in the registrant's liquidity. There is also no known events that will trigger any direct or contingent financial obligation for the company. Finally, there were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

The Group adopted Philippine Accounting Standard 19, which requires all actuarial gains and losses to be recognized immediately in other comprehensive income as they occur. As such, there has been a restatement of the Club's retirement costs and liability for the past two years.

As mentioned above, the Group collected Php30.8 million from the advance payment of membership dues for 2021, compared to last year's collection of Php37.7 million. This brought total unearned revenues for 2020 to Php37.0, 12% lower than last year's collection Php42.0 million. The account also includes full payment of 5-year berth leases and advance payment of boat parking in the Marina and guest deposits for advance bookings. The increase is attributable to the lower turnout of the promo in 2020 at 50% as of December 31, 2020, compared to 61% as of December 31, 2019.

By the end of 2020, total member's equity of the Group amounting to Php460.4 million reflected a 4% decrease from Php479.8 million in 2019, as a result of operating losses suffered from the closure of the Club for several months. The Group posted a net loss before income tax of Php24.3 million for 2020, compared to a net income of Php45,950 in 2019. No auction was held during the year thus the Club was not able to acquire any shares from delinquent members through auction, while eight (8) treasury shares were sold. The number of shares issued and outstanding in 2020 remains at 2,033 shares, inclusive of (4) treasury shares compared to twelve (12) treasury shares as of December 31, 2019.

Results of Operations

Total consolidated revenues for the year 2020 amounted to Php108.1 million, registering a 50% drop from last year's Php217.7 million, which was in turn 4% higher than the 2018 total revenues of Php208.7 million. Departmental costs and expenses of Php30.9 million is 63% lower than what

was spent in 2019 at Php82.3million, which was in turn 3% higher than the 2018 cost of Php 85.2 million. Management fees and executive salaries for 2020 of Php9.1 million decreased slightly by 15% from last year's Php 9.3 million in 2019, which in turn reflected a 2.5% increase from Php9.1 million in 2018. Total operating expenses of Php60.8 million in 2020 decreased by 37% from Php 97.2 million in 2019, compared to Php88.4 million in 2018 which was 10% higher than 2019. All decreases in costs, managements fees and operating expenses were a result of the reduced operations of the Group due to government restrictions in response to the COVID-19 pandemic.

The year 2020 ended with a net loss of before taxes of Php24.3 million compared to a net income before tax of Php 45,950 in 2019. Total comprehensive loss amounted to Php22.9 million in 2020 against Php0.98 loss in 2019. The Group is subject to an average Minimum Corporate Income Tax of 1.5% on its gross operating income, as a result of the Comprehensive Recovery and Tax Incentives for Enterprises (CREATE) Law.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. Additionally, there were no significant elements of income or loss that did not arise from the registrant's continuing operations.

Although the Group's operations are divided into a peak (Dec. 1-June 15) and a lean (June 16-Nov. 30) season, which reflects a seasonal trend in revenues and its relative operating expenses, this has no material effect on the financial condition or results of operations of the Group as financial statements are reported based on one complete calendar year.

Revenues

The Group's operating revenues is largely dependent on the hospitality and leisure travel industry, which is among those financially hit the hardest by the COVID-19 pandemic. As such, the operating revenues of the Group in 2020 was drastically reduced by 70% at Php51.8 million compared to its 2019 robust performance of Php167.4 million, which even registered a 2% growth from total operating revenues of Php164.0 million in 2018. On the other hand membership dues increased by 12% at Php56.2 million from last year's 50.4 million, while revenues from marina operations also increased by 5% at Php20.0 million compared to Php19.0 million in 2019. The positive results of these two revenue contributors of the Club narrowed the overall deficiency in total revenues to only 50% at Php108.0 million in 2020 versus Php217.7 million in 2019. The 2019 revenues at Php 217.7 million on the other hand, reflected a 4% growth from the Php 208.7 million in 2018, which mainly came from the 10% increase in room accommodation, 12.7% increase in membership dues and 18.5% in Marina, while the following decreases in revenues were noted: Restaurant and bar operations by 6%, and Spa, golf and sports by 2%.

Cost and operating expenses

Total costs and operating expenses for 2020 amounting to Php99.7 million substantially decreased by 47% from Php188.9 million in 2019, which in turned increased by 3.0% over 2018's total costs and expenses of Php 182.7 million. As mentioned earlier, the decrease in departmental

costs and operating expenses were mainly due to reduced operations of the Group as a result of government restrictions in response to the COVID-19 pandemic. The 2019 3% increase in costs was notably contributed by the assessment of deficiency foreshore lease for the previous years' amounting to Php 4.8 million.

Depreciation

Total depreciation for the year 2020 amounted to Php33.6 million, reflecting a 1% increase from Php33.1 million of last year, as no significant acquisitions and special projects were done during the year, while a number of assets have become fully depreciated. Total capital expenditures amounted to Php 5.3 million, a 75% reduction from last year's Php 20 million. Depreciation cost, however, is expected to go up as new projects are being undertaken and expected to be completed in the coming years. Depreciation expenses are non-cash expenses of the Club.

Prospects for the Future

Considering the magnitude of the coronavirus pandemic to the Group's business as mentioned earlier, the Club targets to narrow the 70% drop in revenues in 2020 to around 30% in 2021. Membership dues is expected to grow by 20%, given its 12% growth in 2020 despite the pandemic situation. The Club's operations and services will primarily revolve around its members, whose loyal patronage of the Club's services and amenities supported the Club during the crisis. The Club will continue with its repair and maintenance program to uphold and improve its facilities, machinery and infrastructure, ensure the health and safety of both guests and personnel by adhering to the prevailing health and safety standards and guidelines, and invest in technological tools, FFE and equipment, renovation of facilities, and expansions, all of which will enable the Club to improve operational efficiency and adapt to the current situation.

As government restrictions eased down towards the end of 2020, and with the help of the Department of Tourism's programs to restart economic activity in the hospitality and leisure travel sector, the first two months of 2021 showed promising results, with the Club exceeding its revenue target for February 2021 by 5%. However, on March 27, 2021, amid the surge of coronavirus cases in Metro Manila and surrounding provinces, the National Capital Region and the contiguous provinces of Cavite, Laguna, Bulacan and Rizal were once again placed under the Enhanced Community Quarantine, disallowing inter-province travel and adversely affecting the room accommodation and restaurant operations of the Club as more than 90% of its members reside outside of the Batangas province. Until the government's vaccination roll-out plan is implemented, which is expected to reduce, if not eradicate the number of coronavirus cases in the country, the effects of the pandemic will continue to be adversely reflected in the Group's business. Fortunately, with its exclusive membership set-up, and the guaranteed patronage from its members translating to an increase in membership dues and revenues from the marina operations, the Group is confident that its business will remain relevant and continue to be a going concern despite the COVID-19 pandemic.

Club Punta Fuego, Inc. and Subsidiary

Consolidated Financial Statements
December 31, 2020 and 2019 and Years
Ended December 31, 2020, 2019 and 2018

and

Independent Auditor's Report

SGV

Building a better
working world

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Club Punta Fuego, Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Club Punta Fuego, Inc. and Subsidiary (the Group) which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2020 and 2019, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2020 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 Consolidated Financial Statements* section of our report. We are independent of the Group 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 consolidated 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

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

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

SYCIP GORRES VELAYO & CO.

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October 18, 2018, valid until October 17, 2021
Tax Identification No. 233-299-245
BIR Accreditation No. 08-001998-109-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534231, January 4, 2021, Makati City

April 14, 2021

CLUB PUNTA FUEGO, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱53,348,729**	₱64,502,221
Receivables (Note 6)	**31,627,571**	30,973,618
Inventories (Note 7)	**6,431,236**	8,215,621
Due from related parties (Note 13)	**–**	2,042,919
Prepayments and other current assets (Note 8)	**28,857,283**	2,659,068
Total Current Assets	**120,264,819**	108,393,447
Noncurrent Assets		
Property and equipment (Note 9)	**408,783,030**	437,263,489
Deferred tax assets (Note 19)	**5,333,577**	4,459,911
Retirement asset (Note 17)	**17,759**	725,267
Total Noncurrent Assets	**414,134,366**	442,448,667
TOTAL ASSETS	**₱534,399,185**	₱550,842,114
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 10)	**₱18,893,267**	₱29,118,305
Due to related parties (Note 13)	**18,099,651**	–
Contract liabilities (Note 12)	**36,975,091**	41,966,059
Total Current Liabilities	**73,968,009**	71,084,364
Equity (Note 11)		
Proprietary shares	**528,849,206**	528,849,206
Additional paid-in capital	**2,638,558**	2,833,289
Cumulative deficiency of revenue over expenses	**(71,492,508)**	(48,180,492)
Shares of delinquent shareholders acquired through auctions	**(1,744,838)**	(5,539,569)
Other comprehensive income	**2,180,758**	1,795,316
Total Equity	**460,431,176**	479,757,750
TOTAL LIABILITIES AND EQUITY	**₱534,399,185**	₱550,842,114

See accompanying Notes to Consolidated Financial Statements.

CLUB PUNTA FUEGO, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2020	2019	2018
REVENUE FROM CONTRACTS WITH CUSTOMERS (Note 12)			
Membership dues	**₱56,181,807**	₱50,349,340	₱44,664,097
Marina and other facilities	**20,018,338**	19,009,309	16,042,183
Restaurant and bar operations	**18,088,240**	77,200,372	82,448,287
Room accommodation	**12,903,782**	66,553,422	60,348,383
Spa, golf, other sports and recreational facilities	**862,624**	4,633,411	5,190,758
	108,054,791	217,745,854	208,693,708
DEPARTMENTAL COSTS AND EXPENSES (Note 14)			
Restaurant and bar operations	**17,383,346**	51,538,147	54,383,104
Room accommodation	**8,339,957**	20,402,045	20,114,810
Spa, golf, other sports and recreational facilities	**3,642,530**	6,720,189	6,649,949
Marina and other facilities	**1,566,808**	3,721,210	4,075,354
	30,932,641	82,381,591	85,223,217
Management fee and executive payroll (Note 14)	**7,953,257**	9,343,143	9,114,611
	38,885,898	91,724,734	94,337,828
GROSS PROFIT	**69,168,893**	126,021,120	114,355,880
OPERATING EXPENSES (Note 15)	**60,831,937**	97,219,258	88,405,763
INCOME BEFORE DEPRECIATION, INTEREST AND OTHER INCOME AND INCOME TAX	**8,336,956**	28,801,862	25,950,117
DEPRECIATION AND AMORTIZATION (Note 9)	**33,599,650**	33,151,532	33,466,270
LOSS BEFORE INTEREST AND OTHER INCOME AND INCOME TAX	**(25,262,694)**	(4,349,670)	(7,516,153)
INTEREST AND OTHER INCOME (Notes 5 and 18)	**922,796**	4,395,620	2,502,606
INCOME (LOSS) BEFORE INCOME TAX	**(24,339,898)**	45,950	(5,013,547)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 19)			
Current	**10,974**	2,111,161	1,858,048
Deferred	**(1,038,856)**	(246,619)	(925,253)
	(1,027,882)	1,864,542	932,795
NET LOSS	**(23,312,016)**	(1,818,592)	(5,946,342)
OTHER COMPREHENSIVE INCOME (LOSS)			
Item not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on retirement benefits (Note 17)	**550,632**	1,189,552	(952,782)
Tax effect	**(165,190)**	(356,866)	285,835
	385,442	832,686	(666,947)
TOTAL COMPREHENSIVE LOSS	**(₱22,926,574)**	(₱985,906)	(₱6,613,289)

See accompanying Notes to Consolidated Financial Statements.

CLUB PUNTA FUEGO, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

	Proprietary shares (Note 11)	Additional paid-in capital	Cumulative deficiency of revenue over expenses	Shares of delinquent shareholders acquired through auctions (Note 11)	Other comprehensive income	Total
BALANCES AS AT DECEMBER 31, 2017	**₱528,849,206**	**₱3,024,760**	**(₱40,415,558)**	**(₱10,267,273)**	**₱1,629,577**	**₱482,820,712**
Net loss	–	–	(5,946,342)	–	–	(5,946,342)
Other comprehensive loss	–	–	–	–	(666,947)	(666,947)
Total comprehensive loss	–	–	(5,946,342)	–	(666,947)	(6,613,289)
Acquisitions of shares of delinquent shareholders through auctions	–	–	–	(851,130)	–	(851,130)
Sale of treasury shares	–	(244,041)	–	3,844,043	–	3,600,002
BALANCES AS AT DECEMBER 31, 2018	**528,849,206**	**2,780,719**	**(46,361,900)**	**(7,274,360)**	**962,630**	**478,956,295**
Net loss	–	–	(1,818,592)	–	–	(1,818,592)
Other comprehensive income	–	–	–	–	832,686	832,686
Total comprehensive income (loss)	–	–	(1,818,592)	–	832,686	(985,906)
Acquisitions of shares of delinquent shareholders through auctions	–	–	–	(1,312,639)	–	(1,312,639)
Sale of treasury shares	–	52,570	–	3,047,430	–	3,100,000
BALANCES AS AT DECEMBER 31, 2019	**528,849,206**	**2,833,289**	**(48,180,492)**	**(5,539,569)**	**1,795,316**	**479,757,750**
Net loss	–	–	(23,312,016)	–	–	(23,312,016)
Other comprehensive income	–	–	–	–	385,442	385,442
Total comprehensive income (loss)	–	–	(23,312,016)	–	385,442	(22,926,574)
Sale of treasury shares	–	(194,731)	–	3,794,731	–	3,600,000
BALANCES AS AT DECEMBER 31, 2020	**₱528,849,206**	**₱2,638,558**	**(₱71,492,508)**	**(₱1,744,838)**	**₱2,180,758**	**₱460,431,176**

See accompanying Notes to Consolidated Financial Statements.

CLUB PUNTA FUEGO, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**(₱24,339,898)**	₱45,950	(₱5,013,547)
Adjustments for:			
Depreciation and amortization (Note 9)	**33,599,650**	33,151,532	33,466,270
Net change in retirement benefits (Note 17)	**1,258,140**	(421,024)	1,017,095
Claims from insurance (Note 18)	**–**	(896,440)	–
Interest income (Notes 5 and 18)	**(641,025)**	(1,329,579)	(468,262)
Gain on sale of property and equipment (Note 18)	**–**	–	(332,421)
Operating income before working capital changes	**9,876,867**	30,550,439	28,669,135
Decrease (increase) in:			
Due from related parties	**2,042,919**	(340,159)	(377,457)
Prepayments and other current assets	**(25,912,034)**	830,679	(783,425)
Receivables	**(653,953)**	(2,307,964)	(108,945)
Inventories	**1,784,385**	1,486,641	1,080,404
Increase (decrease) in:			
Accounts payable and other current liabilities	**(10,125,318)**	2,124,502	(6,751,028)
Contract liabilities / Unearned income	**(4,990,968)**	(877,242)	4,913,146
Due to related parties	**18,099,651**	–	–
Net cash flows generated from (used in) operations	**(9,878,451)**	31,466,896	26,641,830
Interest received	**641,025**	1,329,579	468,262
Income taxes paid	**(396,875)**	(2,861,344)	(2,158,374)
Net cash flow provided by (used in) operating activities	**(9,634,301)**	29,935,131	24,951,718
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment (Note 9)	**(5,119,191)**	(20,101,953)	(13,538,747)
Proceeds from disposal of property and equipment	**–**	896,440	745,215
Net cash flow used in investing activities	**(5,119,191)**	(19,205,513)	(12,793,532)
CASH FLOWS FROM FINANCING ACTIVITIES			
Sale of treasury shares (Note 11)	**3,600,000**	3,100,000	3,600,002
Acquisition of delinquent shares (Note 11)	**–**	(1,312,639)	(851,130)
Net cash flow from financing activities	**3,600,000**	1,787,361	2,748,872
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(11,153,492)**	12,516,979	14,907,058
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**64,502,221**	51,985,242	37,078,184
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱53,348,729**	₱64,502,221	₱51,985,242

See accompanying Notes to Consolidated Financial Statements.

1. **Corporate Information and Authorization for Issue of the Consolidated Financial Statements**

Club Punta Fuego, Inc. (the Parent Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on December 16, 1997. The Parent Company was registered with Bureau of Internal Revenue as tax exempt. As such, the Parent Company is entitled to the benefits under Section 30 (E) of Republic Act (RA) No. 8424 entitled "An Act of Amending the National Internal Revenue Code, as Amended and For Other Purposes". As the Revenue Memorandum Circular (RMC) No. 35-2012 was issued which pertains to taxability of membership fees, assessment dues, and fees of similar nature collected by recreational clubs from its members, the Parent Company's membership dues became subjected to income tax and value-added tax (VAT).

Punta Fuego Hospitality Services Corporation (the Subsidiary), a wholly owned subsidiary of the Parent Company, was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on July 3, 2014.

In August 2019, the Supreme Court invalidated BIR RMC No. 35-2012 which imposes income tax and VAT on membership fees, assessment dues, and fees of similar nature collected by recreational clubs from its members based on the following grounds:

- As long as the membership fees, assessment dues and the like are treated as collections by recreational clubs from their members as an inherent consequence of their membership, and are, by nature, intended for the maintenance, preservation, and upkeep of the clubs' general operations and facilities, the fees cannot be classified as income subject to income tax.
- In collecting such fees, the club is not selling its service to the members. Conversely, the members are not buying services from the club when dues are paid. Hence, there is no economic or commercial activity to speak of as these dues are devoted for the operations/maintenance of the facilities of the organization. As such, there could be no "sale barter or exchange of goods or properties, or sale of a service" to speak of, which would then be subject to VAT.

As such, starting 2020, the Parent Company no longer subjected the membership dues collected to income tax and VAT.

The Parent Company and Subsidiary are collectively referred as "the Group".

The Group's primary purpose is to promote social, recreational and athletic activities on a non-profit basis among its members, through the acquisition, development, construction, management and maintenance of a golf course, resort, marina and other sports and recreational facilities.

The Group's registered office address and principal place of business is Peninsula de Punta Fuego, Barangay Balaytigue, Nasugbu, Batangas.

Status of Operations and Impact of COVID-19

The Group was not spared from the worldwide adverse economic impact of the COVID-19 pandemic, with two of its income-generating areas, the room accommodation and restaurant operation, being largely dependent on the hospitality and leisure travel industry. As such, the Club incurred losses amounting to ₱24,339,898 in 2020 compared to an income of ₱45,950 in 2019. However, the Group's operation was robustly supported by its membership base and marina operations, which remained unaffected by the situation. On the contrary, membership dues contributed ₱56,181,807 registering a 12% growth from 2019, while the marina operations delivered ₱20,018,338 in 2020, reflecting a growth

of 5% from last year's pre-pandemic operation. The Group's cash level as at December 31, 2020 was maintained at ₱53,348,729, registering a negative operating cash flow of ₱9,634,301, and a manageable 17% net decrease from its ₱64,502,221 cash balance as at December 31, 2019. As the Group's revenues from its hotel operations will be fundamentally dependent on the restrictions imposed by the government, it will continue to focus its services to its members, and maintain its efforts to control and manage its operating and overhead expenses.

The Group's consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on April 14, 2021.

2. Basis of Preparation, Statement of Compliance and Changes in Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared under historical cost basis and presented in Philippine peso (₱), which is also the Group's functional currency.

The consolidated financial statements have been prepared under the going concern assumption. The Group believes that its business would remain relevant despite challenges posed by the COVID-19 pandemic. Despite the adverse impact of the COVID-19 pandemic on short-term business results, long-term prospects remain attractive.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards (PAS) and Interpretations issued by the Philippine Interpretations Committee (PIC).

Basis of Consolidation

The consolidated financial statements of the Group include the accounts of the Parent Company and its subsidiary where the Parent Company has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

A Subsidiary

A subsidiary is an entity over which the parent company has the power to govern the financial and operating policies or generally has an interest of more than one half of its voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the parent controls another entity. The subsidiary is fully consolidated from the date on which control is transferred to the parent company. It is de-consolidated from the date on which control ceases. The results of operations of the subsidiary acquired or disposed of during the year are

included in the consolidated statements of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

Transactions Eliminated on Consolidation
All intragroup transactions and balances including income and expenses, and unrealized gains and losses are eliminated in full.

Accounting Policies of the Subsidiary
The financial statements of subsidiary are prepared for the same reporting year and using uniform accounting policies as that of the Parent Company.

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, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*
- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments*, *Interest Rate Benchmark Reform*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
- Conceptual Framework for Financial Reporting issued on March 29, 2018
- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

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

Effective beginning on or after January 1, 2021
- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

Effective beginning on or after January 1, 2022
- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a 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*
  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023
- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*
- 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*

The Group continues to assess the impact of the aforementioned new and amended accounting standards and interpretation effective subsequent to December 31, 2020 on its consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

3. Significant Accounting Policies

Cash and Cash Equivalents

Cash includes cash on hand and with banks. Cash in banks earn interest at the prevailing bank deposit rates. 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 and that are subject to an insignificant risk of change in value.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on whether it is current and noncurrent classification.

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

Deferred tax assets, deferred tax liabilities and accrued retirement benefit liability are classified as noncurrent assets and liabilities, respectively.

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 by the Group.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated 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.

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.

a. Financial assets

Initial recognition and measurement

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

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

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

The Group'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 Group commits to purchase or sell the asset.

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

- Financial assets at amortized cost (debt instruments)
- FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

The Company has no FVOCI with recycling of cumulative gains and losses (debt instruments), financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) and financial assets at FVPL.

Financial assets at amortized cost (debt instruments)
The Group measures financial assets at amortized cost if both of the following conditions are met:

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

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

The Group's financial assets at amortized cost includes cash and cash equivalents, receivables, and due from related parties.

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

- the rights to receive cash flows from the asset have expired; or,
- the Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group 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 Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group 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 Group 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 Group could be required to repay.

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

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

The ECL allowance is based on the credit losses expected to arise over the life of the asset, unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' ECL. Both life time ECL and 12 months' ECL are calculated on either an individual basis or a collective basis, depending on the nature of the financial instruments.

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

b. Financial liabilities

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

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

The Group's financial liabilities include accounts payable and other liabilities, and due to related parties.

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.

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

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Day 1 Difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 difference) in profit or loss unless it qualifies for the recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Inventories
Inventories are stated at the lower of cost and net realizable value (NRV). Cost is determined using first-in, first-out method. For inventories held for sale, NRV is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. NRV of inventories is the current replacement cost.

Property and Equipment
Property and equipment are carried at cost, excluding day-to-day servicing, less accumulated depreciation and impairment in value, if any. The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost incurred meets the recognition criteria. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets.

Category	Number of Years
Buildings, structures and improvements	20 - 50
Operational equipment	2 - 5
Furniture, fixtures and equipment	2 - 5
Transportation equipment	2 - 5

Depreciation and amortization commence once the assets are available for use. Depreciation ceases when the asset is derecognized.

The carrying values of the property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

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

The residual values, useful lives and depreciation method of property and equipment are reviewed, and adjusted if appropriate, at each financial year end.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged to profit or loss.

Facilities and equipment under construction
The costs of a constructed asset are accumulated in the "Facilities and equipment under construction" account until the asset is placed into service. When the asset is completed and placed into service, it will be transferred to its related property and equipment account. Depreciation begins after the asset has been placed into service.

Impairment of Nonfinancial Assets
The Group's nonfinancial assets include property and equipment. The carrying values of nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, or when annual impairment testing for an asset is required, and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of the asset is the greater of fair value less costs to sell and value-in-use. The fair value is the amount obtainable from the sale of the asset in an arm's-length transaction. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Any impairment loss is recognized in profit or loss.

Previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the recoverable amount of an asset, but not, however, to an amount higher than the carrying amount that would have been determined (net of any depreciation and amortization) had there been no impairment loss recognized for the asset in prior years. A reversal of an impairment loss is recognized in profit or loss.

Unearned Income
Unearned income is recognized as liability of the Group whenever membership dues, boat parking, and club certification are collected in advance. Once advance collections are earned the liability account is derecognized and revenue is recognized.

Other Comprehensive Income (Loss)
Other comprehensive income (loss) comprises items of income and expense that are not recognized in profit or loss for the year in accordance with PFRSs. Other comprehensive income (loss) includes remeasurement gains and losses on the Group's retirement plan. Other comprehensive income (loss) items that will be reclassified subsequently to profit or loss are presented separately from those items that will not be reclassified subsequently.

Equity

Proprietary shares have no par value. The board of directors have the authority to issue such shares for such consideration as it may time to time fix, which in no event shall be less than the amount prescribed by the law. The excess of the proceeds over the stated consideration, represents the additional paid-in capital. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Cumulative deficiency of revenues over expenses represents the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments.

Shares of delinquent shareholders acquired through auctions are the Group's own equity instruments which are reacquired and deducted from equity. No gain or loss is recognized on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. The Group has generally concluded that it is principal in its revenue arrangements because it typically controls the goods and services before transferring them to the customer.

Rooms revenue

Revenue from room rentals are recognized over the period of time under the input method, a time-based measure that results in a straight-line recognition of revenue, as the customer simultaneously receives the benefits from the services rendered by the Group throughout the period when rooms are occupied or services are performed. Payment is due generally within 30 days as the customer occupies the room and receives the services except for some customers with specific credit terms.

The Group considers whether there are other promises in the contract that are distinct and separately identifiable. Accordingly, the Group allocates the transaction price based on the relative stand-alone selling prices of services and goods.

Food and beverage revenue

Revenue from food and beverage sales are recognized at a point in time as goods are sold. The transaction price of the goods is representative of their stand-alone selling prices. Payment is due generally within 30 days as goods are sold except for some customers with specific credit terms.

Other operating departments revenue

Revenue from other operating departments include, among others, lobby shops, business center and car rental, laundry service, telephone service, and health club services which are recognized at a point in time as goods are sold and over time as services are performed. The transaction prices of the related goods and services are representative of their stand-alone selling prices. Payment is due generally within 30 days as the customer receives the goods and services except for some customers with specific credit terms.

In considering the transaction price for the revenue from rooms, food and beverages and other operating departments, the Group considers the effects of any variable consideration (e.g., rebates and discounts), noncash consideration and consideration payable to customers.

Contract Balances

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

Trade Receivables. A receivable represents the Group'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). Refer to accounting policies of financial assets under Financial Assets and Financial Liabilities – Financial assets at amortized cost (debt instruments).

Contract Liabilities. A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If the customer pays consideration before the Group 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 Group performs under the contract.

Interest Income

Interest income is recognized as the interest accrues using the EIR. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Cost and Expenses Recognition

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity. Cost and expenses are recognized in the year these are incurred while interest expense is accrued in the appropriate period.

Retirement Benefits Cost

The Group has a funded non-contributory defined benefit retirement plan managed by a trustee bank. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. The retirement 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.

Retirement benefits cost comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Re-measurements 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 profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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 profit or loss.

Re-measurements 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 OCI in the period in which they arise. Re-measurements are not reclassified to profit or loss in subsequent periods.

The amount recognized as retirement benefits liability 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.

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 OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Income Tax

Current income tax

Current income tax assets and current income tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the balance sheet date.

Current income tax for current and prior periods shall, to the extent unpaid, be recognized as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset.

Deferred income tax

Deferred income tax is provided on temporary differences at the balance sheet 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. Deferred income tax assets are recognized for deductible temporary differences, carry-forward benefits of unused tax credits from excess of the minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) [excess MCIT] and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax assets to be recovered.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Leases

Effective January 1, 2019

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of condominium units for its sales agents (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Applicable to both periods presented

The Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. 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 basis as the rental income.

Effective prior to January 1, 2019

The Group as lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Fixed lease payments for non-cancellable lease are recognized as an expense in the profit or loss on a straight-line basis over the lease term.

Provisions and Contingencies

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) 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 discounted using the pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.

Events after the Reporting Period

Events after the reporting period that provide additional information about the Group's financial position at the end of reporting period (adjusting event), if any, are reflected in the consolidated

financial statements. Events after the reporting period, that are not adjusting events, are disclosed in the notes to consolidated financial statements when material.

4. Significant Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in compliance with PFRSs requires management to make judgments, estimates and assumptions that affect certain reported amounts and disclosures. In preparing the consolidated financial statements, management has made its best judgments, estimates and assumptions of certain amounts, giving due consideration to materiality. The judgments and estimates used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Accordingly, actual results could differ from those estimates, and such estimates will be adjusted.

The Group believes the following represent a summary of these significant judgments, estimates and assumptions and related impact and associated risks in the consolidated financial statements:

Judgment

In the process of applying the Group's accounting policies, management has made the following judgment, apart from those involving estimations, which has the most significant effect on the amounts recognized in the consolidated financial statements:

Use of going concern assumption

The use of the going concern assumption involves management making judgments, at a particular point in time, about the future outcome of events or conditions that are inherently uncertain. The underlying assumption in the preparation of consolidated financial statements is that the Group has neither the intention nor the need to liquidate. Management takes into account a whole range of factors which include, but not limited to, expected operations and profitability, and potential sources of financing such as obtaining bank loans, if needed. Management prepares the consolidated financial statements on a going concern basis as management has future plans regarding the Group, as discussed in Note 1.

Estimates and Assumptions

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

Provision for expected credit losses on trade receivables (PFRS 9)

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in forward-looking estimates are analyzed.

The assessment of the correlation between observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future. Receivables, net of expected credit losses, amounted to ₱31,627,571 and ₱30,973,618 as of December 31, 2020 and 2019, respectively. Allowance for ECL amounted to ₱10,175,036 and ₱6,593,038 as of December 31, 2020 and 2019, respectively (see Note 6).

Evaluation of impairment of noncurrent nonfinancial assets
Internal and external sources of information are reviewed at each reporting date to identify indications that property and equipment may be impaired or an impairment loss previously recognized no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.

The Group has experienced a difficult business environment in 2020 due to the COVID-19 pandemic. The COVID-19 pandemic led to significant uncertainty and adverse conditions in many industries, including the hospitality industry in which the Group falls under. In the Philippines and in other countries, each government has implemented drastic measures including travel restrictions and home quarantine, to control the pandemic. Thus, this COVID-19 pandemic has affected every sector across the globe, and the hotel industry to which the Group belongs is an economic sector which is among those most severely affected.

Due to the significant developments of the COVID-19 pandemic that have adversely affect the Group's economic environment, the management assessed that certain impairment indicators exist on its property and equipment as of December 31, 2020, which include (a) low hotel occupancy rates; (b) limited bookings; and (c) net loss in 2020.

Based on their evaluation, management believes that the carrying values of property and equipment amounting to ₱408,783,030 and ₱437,263,489 as of December 31, 2020 and 2019, respectively, are recoverable through future cash flows. Accordingly, the Group did not recognize impairment loss for the years ended December 31, 2020 and 2019 (see Note 9).

Recognition of deferred income tax assets
The Group reviews the carrying amount of deferred income tax asset at each reporting period and reduces it to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax asset to be utilized. The deferred income tax asset recognized amounted to ₱5,333,577 and ₱4,459,911 as of December 31, 2020 and 2019, respectively.

As of December 31, 2020 and 2019, the Group has deductible temporary differences for which no deferred income tax assets was recognized amounting to ₱81,257,255 and ₱39,430,125, respectively, on unutilized NOLCO, MCIT and unearned income from membership dues as it is not probable that sufficient taxable profit will be available to allow the benefit of the deferred income tax assets to be utilized (see Note 19).

Estimating retirement obligation and cost
The determination of the obligation and cost for retirement benefits is dependent on the selection of certain assumptions used by actuary in calculating such amounts. Those assumptions, which include among others, discount rates and rates of compensation increase, are described in Note 17. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement obligations. All assumptions are reviewed at each reporting date.

Retirement benefits assets amounted to ₱17,759 and ₱725,267 as at December 31, 2020 and 2019, respectively (see Note 17).

5. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand	**₱383,906**	₱258,889
Cash in banks	**19,680,991**	19,889,678
Cash equivalents	**33,283,832**	44,353,654
	₱53,348,729	₱64,502,221

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group. The interest rates of the cash equivalents ranges from 1.00% to 7.06% in 2020 and 2019.

Interest income on cash in banks and cash equivalents amounted to ₱641,025, ₱1,329,579 and ₱468,262 for the years ended December 31, 2020, 2019 and 2018, respectively (Note 18).

6. Receivables

This account consists of:

	2020	2019
Receivables from members	**₱38,136,620**	₱34,706,417
Advances to officers and employees	**705,607**	518,681
Advances to suppliers	**254,619**	427,658
Other receivables	**2,705,761**	1,913,900
	41,802,607	37,566,656
Allowance for credit losses	**(10,175,036)**	(6,593,038)
	₱31,627,571	₱30,973,618

Receivables from members generally have a 60-day term.

Advances to officers and employees pertain to advances made to employees, including the cash budget for projects or expenses wherein the excess is returned to Group's fund after submission of liquidation report by the employee in-charge.

Advances to suppliers pertain to advance payments on purchased goods and services.

Other receivables pertain to insurance claims and accrued interest on short-term placements.

Allowance for credit losses pertain to receivables from members specifically identified as uncollectible. The rollforward analysis of allowance for credit losses follows:

	2020	2019
Beginning balance	**₱6,593,038**	₱5,324,978
Provision for ECL (Note 15)	**3,581,998**	1,268,060
Ending balance	**₱10,175,036**	₱6,593,038

There are no receivables written off and reversals of allowance for ECL in 2020 and 2019.

No receivable was pledged as security to liabilities as of December 31, 2020 and 2019.

7. Inventories

This account consists of:

	2020	2019
Supplies	**₱4,964,459**	₱6,249,699
Food and beverage	**1,455,048**	1,944,804
Others	**11,729**	21,118
	₱6,431,236	₱8,215,621

The cost of inventories charged to departmental costs and expenses amounted to ₱9,462,178 ₱38,256,051, and 39,619,711 in 2020, 2019 and 2018, respectively (see Note 14). Furthermore, there are no inventories whose NRV are below cost.

No impairment losses on inventories were recognized in 2020 and 2019.

No inventories have been used or pledged as security to the Group's obligations in 2020 and 2019.

8. Prepayments and Other Current Assets

This account consists of:

	2020	2019
Deferred charge	**₱25,801,750**	₱–
Deposits	**1,011,114**	977,361
Prepaid taxes	**894,255**	748,317
Prepayments	**780,095**	379,482
Others	**370,069**	553,908
	₱28,857,283	₱2,659,068

Deferred charge pertains to payment made by the Group in December 2020 for the documentary stamp tax for the issuance of shares to Fuego Development Corporation in 2021.

Deposits mainly include security deposits related to the Group's lease of office space, rental of shuttle service, landscape contract and construction bonds for engineering workshops.
Prepaid taxes mainly pertain to taxes withheld by customers from its income payments to the Group which are subsequently used as credit against the Group's income tax payable. The amounts are net of those applied as credit against income tax payable amounting to nil and ₱1,771,114 in 2020 and 2019, respectively.

Prepayments mainly include advance payments for insurance taxes and association dues.

9. Property and Equipment

Movements of this account follow:

	2020					
	Buildings, Structures and Improvements	**Operational Equipment**	**Furniture, Fixtures and Equipment**	**Transportation Equipment**	**Facilities and Equipment under Construction**	**Total**
Cost:						
Beginning balances	**₱631,908,231**	**₱55,531,500**	**₱159,520,174**	**₱14,530,622**	**₱5,339,820**	**₱866,830,347**
Additions	**2,164,721**	**2,410,348**	**544,122**	**–**	**–**	**5,119,191**
Reclassification	**3,059,726**	**–**	**–**	**–**	**(3,059,726)**	**–**
Ending balances	**637,132,678**	**57,941,848**	**160,064,296**	**14,530,622**	**2,280,094**	**871,949,538**
Accumulated Depreciation and Amortization:						
Beginning balances	**236,107,243**	**48,667,410**	**133,671,703**	**11,120,502**	**–**	**429,566,858**
Depreciation and amortization	**21,694,739**	**2,193,851**	**8,541,678**	**1,169.382**	**–**	**33,599,650**
Ending balances	**257,801,982**	**50,861,261**	**142,213,381**	**12,289,884**	**–**	**463,166,508**
Net Book Values	**₱379,330,696**	**₱7,080,587**	**₱17,850,915**	**₱2,240,738**	**₱2,280,094**	**₱408,783,030**

	2019					
	Buildings, Structures and Improvements	Operational Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Facilities and Equipment under Construction	Total
Cost:						
Beginning balances	₱621,190,063	₱53,850,881	₱151,101,059	₱13,800,640	₱8,024,233	₱847,966,876
Additions	1,294,193	1,680,619	8,419,115	1,968,464	6,739,562	20,101,953
Disposals	–	–	–	(1,238,482)	–	(1,238,482)
Reclassification	9,423,975	–	–	–	(9,423,975)	–
Ending balances	631,908,231	55,531,500	159,520,174	14,530,622	5,339,820	866,830,347
Accumulated Depreciation and Amortization:						
Beginning balances	214,832,992	46,416,454	125,248,287	11,156,075	–	397,653,808
Depreciation and amortization	21,274,251	2,250,956	8,423,416	1,202,909	–	33,151,532
Disposals	–	–	–	(1,238,482)	–	(1,238,482)
Ending balances	236,107,243	48,667,410	133,671,703	11,120,502	–	429,566,858
Net Book Values	₱395,800,988	₱6,864,090	₱25,848,471	₱3,410,120	₱5,339,820	₱437,263,489

No property and equipment was pledged as security to liabilities as of December 31, 2020 and 2019.

10. Accounts Payable and Other Current Liabilities

This account consists of:

	2020	2019
Trade payables	**₱7,399,735**	₱9,420,284
Accrued expenses	**7,249,745**	8,793,222
Statutory payables	**1,688,282**	7,730,780
Service charges	**1,020,208**	1,976,476
Car loan payable	**–**	52,668
Others	**1,535,297**	1,144,875
	₱18,893,267	₱29,118,305

Accrued expenses consist of:

	2020	2019
Communication and postage	**₱1,530,007**	₱1,671,789
Personnel costs	**1,527,519**	1,409,624
Utilities	**918,452**	1,615,890
Professional fees	**753,165**	516,419
Accrued repairs and maintenance	**543,113**	527,338
Security services	**470,200**	639,668
Messengerial services	**33,375**	172,363
Others	**1,473,914**	2,240,131
	₱7,249,745	₱8,793,222

Trade payables include unpaid cost of purchases of food, beverage and other supplies and are normally on a 30-day term.

Statutory payables include withholding tax and output VAT.

Service charges payable pertain to share of employees from the 10% add-on on top of the basic fees charged against members for the services rendered by the Group.

Others consist mainly of accruals for fuel and oil, and other contracted services which are individually immaterial in amounts.

11. Equity

Proprietary shares
The composition of the Group's no par value proprietary shares as of December 31, 2020, 2019 and 2018 is as follows:

	2020	2019	2018
Common - no par value			
Authorized	**2,500**	2,500	2,500
Issued			
Number of shares at beginning and end of year	**2,035**	2,035	2,035
Outstanding			
Number of shares at beginning of year	**2,021**	2,017	2,010
Purchase during the year	**–**	(3)	(2)
Sale during the year	**8**	7	9
Number of shares at end of year	**2,029**	2,021	2,017

Summarized below, as defined in the Group's Articles of Incorporation are the restrictive conditions, among others:

- The founders' shares shall have the exclusive right to vote and be voted for in the election of directors.
- No transfer of shares of stock which will reduce the stock ownership of Filipino citizens to less than the minimum percentage of the outstanding capital stock required by law to be owned by Filipino citizens shall be allowed or permitted to be recorded in the books of the Group.

- No profit shall inure to the exclusive benefit of any of its shareholders, hence, no dividends shall be declared in their favor.
- No shareholder shall sell, transfer, or otherwise in any manner alienate or in any way dispose of any proprietary shares of the Group unless these shares shall have first been offered for sale to the Group by written offer.
- The members of the group as defined under the by-laws shall be subject to the payment of monthly dues, fees, charges or assessments in such amount as may be prescribed by resolution of the BOD.
- In any case any shareholder violates the provisions of the articles of incorporation and by-laws of the Group, such shareholder may be expelled by the BOD.
- A registered shareholder may assign his rights to an assignee.

Share of delinquent shareholders acquired through auctions
This represents delinquent shares acquired by the Group during the year through auctions pursuant to the Group's By-laws. In 2020, no shares have been auctioned, 8 were sold for ₱3,600,000. In 2019, 8 shares have been auctioned, 3 of which were acquired by the Group for ₱1,312,639 while 7 were sold for ₱3,047,430.

12. Revenue from Contracts with Customers

Disaggregated Revenue Information
Set out below is the disaggregation of the Group's revenue from contracts with customers for the years ended December 31:

Source	**Type**	**2020**	2019	2018
Membership dues	Services	**₱56,181,807**	₱50,349,340	₱44,664,097
Restaurant and bar operations	Goods	**18,088,240**	77,200,372	82,448,287
Room accommodation	Services	**12,903,782**	66,553,422	60,348,383
Other operating departments	Services	**20,880,962**	23,642,720	21,232,941
Total revenue from contracts with customers		**₱108,054,791**	₱217,745,854	₱208,693,708

Timing of revenue recognition	**2020**	2019	2018
Revenue transferred over time	**₱89,966,551**	₱140,545,482	₱126,245,421
Revenue transferred at a point in time	**18,088,240**	77,200,372	82,448,287
Total revenue from contracts with customers	**₱108,054,791**	₱217,745,854	₱208,693,708

Contract Balances
The Group has no contract assets as at December 31, 2020 and 2019.

Under PFRS 15, advance payments received by the Group from their customers meet the definition of contract liabilities. The contract liabilities as of December 31 consist of:

	2020	2019
Membership dues	**₱30,418,236**	₱33,314,286
Marina boat storage and berthing fee	**4,235,531**	4,859,353
Club certificates	**1,712,677**	1,494,677
Guests' deposits	**608,647**	2,297,743
	₱36,975,091	₱41,966,059

Contract liabilities pertain to payments of membership dues and yacht docking fees received in advance from members of the Group. Club certificates pertain to payments received for gift certificates which can be used to avail goods and services in the Group. Guests' deposits pertain to the advance payments of guests for room reservations in the Group.

The amount of revenue recognized in 2020 and 2019 from amounts included in the contract liabilities at the beginning of the year amounted to ₱39,317,998 and ₱39,665,859, respectively.

Performance Obligations
For the sale of goods and services, the performance obligation is satisfied when food and beverages are sold and services are rendered. Payment is generally in cash or charge to members' account due within 30 days except for some members with specific credit terms. The Group applies the practical expedient and does not disclose information about the remaining performance obligations that have original expected durations of one year or less.

13. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with the Group are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

In the normal course of business, significant transactions with the related parties are as follows:

Landco Pacific Corporation (LPC)
Advances to LPC pertain to charges from the use of the Group's food and beverage outlets, accommodation and other facilities, in relation to LPC's sales and marketing activities.

Punta Fuego Village Homeowners' Association, Inc. (PFVHAI)
Advances from PFVHAI include reimbursement of expenses and payments of members erroneously transacted under the PFVHAI's bank account.

Anya Hospitality Corporation (AHC) *(formerly Fuego Hotels and Properties Management Corporation (FHPMC)*
On January 1, 2019, the Group entered into a five-year contract, commencing on January 1, 201+ until December 31, 2024, with AHC, a related party, in connection with the operation and management of the Group's commercial, industrial and service facilities. The contract is renewable at the option of both parties.

Under the agreement, AHC is entitled to a fixed monthly fee of ₱414,000, net of taxes and other charges, or 3% of the total gross operating revenue of the Club and its complimentary facilities (including consumables of members) whichever is higher. The management fee shall be renegotiated should there be an increase in the inventory of rooms. AHC is also entitled to sales and marketing fee based on four percent (4%) of the current gross operating revenue, net of taxes and other charges.

Fuego Development Corporation (FDC), Fuego Land Corporation (FLC) and Roxaco Land Corporation (RLC)

Transactions with FDC, FLC and RLC include advance payment and reimbursement of expenses and availment and grant of non-interest bearing cash advances from/to related parties.

Outstanding balances of due from/due to related parties are carried in the consolidated statements of financial position under the following accounts listed below:

Related party	Category	Year	Amounts/ Volume	Due from (Due to)	Terms	Conditions
Landco Pacific Corporation	Due from related parties	**2020**	**₱–**	**₱1,627,805**	Non-interest bearing	Unsecured, no impairment
		2019	₱–	₱1,627,805	-do-	-do-
Punta Fuego Village Homeowners' Association, Inc.	Due from related parties	**2020**	**67,647**	**452,926**	Non-interest bearing	Unsecured, no impairment
		2019	273,907	385,378	-do-	-do-
Anya Hospitality Corporation	Management fee	**2020**	**9,311,085**	**–**	Non-interest bearing	Unsecured, no impairment
		2019	12,809,716	–	-do-	-do-
Fuego Land Corporation	Due from related parties	**2020**	**–**	**29,736**	Non-interest bearing	Unsecured, no impairment
		2019	–	29,736	-do-	-do-
Fuego Development Corporation	Due to related parties	**2020**	**20,210,118**	**(20,210,118)**	Non-interest bearing	Unsecured, no impairment
		2019	–	–	-do-	-do-
Total		**2020**		**(₱18,099,651)**		
		2019		₱2,042,919		

Compensation of key management personnel of the Group

The remuneration of directors and other members of key management in 2020, 2019 and 2018 consist of:

	2020	2019	2018
Salaries and other short-term benefits	**₱10,797,252**	₱13,758,662	₱13,598,218
Retirement costs	**212,488**	291,474	204,372
	₱11,009,740	₱14,050,136	₱13,802,590

Terms and conditions of transactions with related parties

Outstanding balances at year-end are unsecured, interest-free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. The Group has not recognized any impairment on amounts due from affiliated companies as of December 31, 2020 and 2019. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

14. Departmental Costs and Expenses

This account consists of:

	2020	2019	2018
Personnel costs (Note 16)	**₱15,584,980**	₱29,816,074	₱29,811,651
Food and beverage (Note 7)	**6,176,233**	26,118,216	27,251,927
Communication, light and water	**5,077,805**	11,551,423	12,602,331
Supplies (Note 7)	**3,285,945**	12,137,835	12,367,784
Transportation and travel	**747,762**	974,513	899,476
Entertainment, amusement and recreation	**35,000**	47,867	1,232
Others	**24,916**	1,735,663	2,288,816
	30,932,641	82,381,591	85,223,217
Management fee and executive payroll	**7,953,257**	9,343,143	9,114,611
	₱38,885,898	₱91,724,734	₱94,337,828

15. Operating Expenses

This account consists of:

	2020	2019	2018
Personnel costs (Note 16)	**₱22,369,318**	₱29,544,188	₱29,363,016
Communication, light and water	**6,297,882**	10,802,337	11,723,785
Association dues	**5,491,769**	5,491,773	5,649,080
Security services	**4,620,085**	5,100,619	4,699,642
Advertising and promotion	**3,850,894**	9,300,840	8,586,316
Provision for ECL (Note 6)	**3,581,998**	1,268,060	1,309,548
Taxes and licenses	**3,554,288**	3,618,242	3,169,542
Repairs and maintenance	**2,379,813**	4,527,370	4,853,362
Transportation and travel	**2,093,259**	3,265,564	3,897,794
Credit card commission	**1,374,937**	2,834,472	2,684,035
Rent	**1,180,906**	9,492,676	3,453,297
Professional fees	**1,032,609**	1,228,966	1,141,522
Insurance	**814,215**	797,046	1,016,557
Supplies	**395,379**	617,380	520,129
Entertainment, amusement and recreation	**300,554**	526,037	503,447
Others	**1,494,031**	8,803,688	5,834,691
	₱60,831,937	₱97,219,258	₱88,405,763

Others consist mainly of credit card and sales commissions, bank charges and other miscellaneous expenses.

16. Personnel Costs

This account consists of:

	2020	2019	2018
Salaries and wages	**₱24,864,167**	₱38,520,564	₱40,277,175
Employee benefits	**11,831,991**	19,621,900	17,880,397
Retirement expense (Note 17)	**1,258,140**	1,217,798	1,017,095
	₱37,954,298	₱59,360,262	₱59,174,667

Personnel costs included in departmental costs and operating expenses are as follows:

	2020	2019	2018
Departmental costs (Note 14)	**₱15,584,980**	₱29,816,074	₱29,811,651
Operating expenses (Note 15)	**22,369,318**	29,544,188	29,363,016
	₱37,954,298	₱59,360,262	₱59,174,667

17. Retirement Benefits

The Group has a funded noncontributory defined benefit retirement plan (the Plan) managed by a trustee bank. The investing decisions of the Plan are made by certain officers of the Group duly authorized by the BOD. The benefits provided in the Plan are based on the years of credited service and compensation of employees.

The following tables summarize the components of the "Retirement expenses" recognized in the consolidated statements of comprehensive income and "Retirement benefit liability" and "Retirement asset" recognized in the consolidated statements of financial position, which are based on the latest actuarial valuation report dated April 6, 2021.

The components of retirement expenses recognized in the consolidated statements of comprehensive income are as follows:

	2020	2019	2018
Current service cost	**₱1,292,425**	₱1,195,242	₱1,065,398
Net interest expense (income)	**(36,322)**	22,556	(52,228)
Interest on the effect of asset ceiling	**2,037**	–	3,925
Retirement expenses	**₱1,258,140**	₱1,217,798	₱1,017,095

The components of retirement benefits assets recognized in other comprehensive income (OCI) are as follows:

	2020	2019	2018
Cumulative gain in OCI, beginning	**₱2,564,739**	₱1,375,187	₱2,327,969
Remeasurement gain (loss) on retirement benefit liability:			
Deviations of experience from assumptions	**520,208**	(825,172)	49,182
Changes in financial assumptions	**(41,210)**	388,067	(384,721)
Demographic assumptions gain (loss)	**–**	1,369,950	–
Remeasurement gain (loss) on retirement benefit plan	**31,820**	295,146	(688,834)
Remeasurement gain (loss) on changes in effect of asset ceiling	**39,814**	(38,439)	71,591
Balances at end of year	**3,115,371**	2,564,739	1,375,187
Tax effect	**934,613**	769,423	412,557
	₱2,180,758	₱1,795,316	₱962,630

The retirement benefits assets recognized in the consolidated statements of financial position are as follows:

	2020	2019
Fair value of plan assets	**₱13,597,141**	₱13,035,372
Present value of obligation	**(13,578,720)**	(12,271,666)
Effect of asset ceiling	**(662)**	(38,439)
Balances at end of year	**₱17,759**	₱725,267

Movements in the retirement assets recognized in the consolidated statements of financial position:

	2020	2019
Balances at beginning of year	**₱725,267**	(₱885,308)
Retirement costs	**(1,258,140)**	(1,217,798)
Remeasurement gain on retirement benefits	**550,632**	1,189,552
Contributions paid	**–**	1,638,821
Balances at end of year	**₱17,759**	₱725,267

Changes in the present value of obligation are as follow:

	2020	2019
Balances at beginning of year	**₱12,271,666**	₱11,593,813
Current service cost	**1,292,425**	1,195,242
Interest cost	**650,398**	878,811
Benefits paid directly from plan assets	**(156,771)**	(463,355)
Remeasurement loss (gain) arising from:		
Deviations of experience from assumptions	**(520,208)**	825,172
Changes in financial assumptions	**41,210**	(388,067)
Changes in demographic assumptions	**–**	(1,369,950)
Balances at end of year	**₱13,578,720**	₱12,271,666

Changes in the fair value of plan assets are as follows:

	2020	2019
Balances at beginning of year	**₱13,035,372**	₱10,708,505
Contributions paid	**–**	1,638,821
Interest income	**686,720**	856,255
Remeasurement gain	**31,820**	295,146
Benefits paid directly from plan assets	**(156,771)**	(463,355)
Balances at end of year	**₱13,597,141**	₱13,035,372

The actual return on plan assets amounted to an income of ₱718,540 and an income of ₱1,151,401 for the years ended December 31, 2020 and 2019, respectively.

The categories of plan assets at fair value are as follows:

	2020		2019	
	Amount	**%**	Amount	%
Marketable securities	**₱13,511,752**	**99.25%**	₱12,259,740	93.93%
Cash and cash equivalents	**1,124**	**0.01%**	650,913	4.99%
Others	**101,363**	**0.74%**	140,709	1.08%
	₱13,614,239	**100%**	₱13,051,362	100.00%

"Others" consist of market gains and accrued receivables, among others.

The principal assumptions used to determine accrued retirement liability in 2020 and 2019 are as follows:

	2020	2019
Discount rate	**3.73%**	5.30%
Rate of increase in compensation	**1.00%**	2.50%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2020 and 2019, assuming all other assumptions were held constant:

	Increase (decrease) in basis points	Effect on retirement benefit obligation	
		2020	2019
Discount rates	+1%	**(₱1,322,868)**	(₱1,253,426)
	1%	**1,534,846**	1,458,101
Future salary increase rate	+1%	**1,562,937**	1,485,495
	1%	**(1,368,582)**	(1,296,836)

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2020 and 2019:

	2020	2019
Within one year	**₱771,775**	₱692,155
Between one and five years	**2,666,175**	2,505,894
Beyond five years	**7,633,265**	7,385,531

18. Interest and Other Income

This account consists of:

	2020	2019	2018
Interest income (Note 5)	**₱641,025**	₱1,329,579	₱468,262
Penalties	**72,696**	960,429	567,327
Boutique	**19,004**	127,036	135,103
Insurance claim	**–**	896,440	–
Auction fee	**–**	350,000	370,000
Gain on sale of property and equipment	**–**	–	332,421
Others	**190,071**	732,136	629,493
	₱922,796	₱4,395,620	₱2,502,606

Others consists of rentals of the Group's facilities and other incidental charges.

19. Income Tax

Current Tax

The Group's provision for current tax represents the minimum corporate income tax (MCIT) amounting to ₱10,974, ₱2,111,161 and ₱1,858,048 for the years ended December 31, 2020, 2019 and 2018, respectively.

The reconciliation of provision for (benefit from) income tax computed at the statutory income tax rate to provision for income tax as shown in the consolidated statements of comprehensive income is summarized as follows:

	2020	2019	2018
Income tax at statutory rate	**(₱7,301,969)**	₱313,834	(₱1,324,065)
Add (deduct) tax effects of:			
Movement in NOLCO	**23,072,164**	279,550	(1,124)
Derecognized deferred tax asset	**240,446**	–	–
Excess of MCIT over RCIT	**8,327**	–	–
Changes in unrecognized deferred tax assets	**–**	1,970,082	2,578,463
Nontaxable income	**(16,854,542)**	(300,000)	(180,000)
Interest income subjected to final tax	**(192,308)**	(398,874)	(140,479)
	(₱1,027,882)	₱1,864,592	₱932,795

Deferred Tax

The components of the Group's net deferred tax assets are as follow:

	2020	2019
Presented in profit or loss		
Deferred tax assets:		
Allowance for ECL	**₱3,052,511**	₱1,977,911
Unearned income from Marina boat storage and berthing fee	**1,784,462**	1,906,209
Nondeductible expense	**–**	240,446
Provision for repairs and maintenance	**162,934**	135,564
Retirement liability	**1,268,283**	969,204
	6,268,190	5,229,334
Presented in OCI		
Deferred tax liability related to retirement asset recognized as other comprehensive income	**(934,613)**	(769,423)
Net deferred tax assets	**₱5,333,577**	₱4,459,911

The unutilized MCIT, NOLCO and unearned income from membership dues for which no deferred tax assets are recognized in the consolidated statement of financial position are as follows:

	2020	2019
NOLCO	**₱77,839,047**	₱931,834
Excess MCIT over RCIT	**3,418,208**	5,184,005
Unearned income from membership dues	**–**	33,314,286
	₱81,257,255	₱39,430,125

Last September 11, 2020, the President signs into law the "Bayanihan to Recover as One Act" or "Bayanihan 2", an act in response to COVID-19 to accelerate the recovery and bolster the resiliency of the Philippine economy.

Unless otherwise disqualified from claiming the deduction, the business or enterprise which incurred net operating loss for taxable years 2020 and 2021 shall be allowed to carry over the same as a deduction from its gross income for the next five consecutive taxable years immediately following the year of such loss. The net operating loss for said taxable years may be carried over as a deduction even after the expiration of RA No. 11494 provided the same are claimed within the next five consecutive taxable years immediately following the year of such loss.

As at December 31, 2020, the Group has incurred NOLCO before taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years, as follows:

Year Incurred	Available Until	Available NOLCO	Tax Effect
2019	2022	₱931,834	₱279,550

As at December 31, 2020 the Group has incurred NOLCO in taxable year 2020 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	Available Until	Available NOLCO	Tax Effect
2020	2025	₱76,907,213	₱23,072,164

As of December 31, 2020, the amounts of excess MCIT over RCIT allowable as tax credit over a period of three years consist of:

Year Incurred	Balance at Beginning of the Year	Additions	Expiry	Balance at End of the Year	Expiry Year
2020	₱–	₱8,327	₱–	₱8,327	2023
2019	1,771,114	–	–	1,771,114	2022
2018	1,638,767	–	–	1,638,767	2021
2017	1,774,124	–	(1,774,124)	–	2020
	₱5,184,005	₱8,327	(₱1,774,124)	₱3,418,208	

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

  As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Group would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020. Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate of the Group for CY2020 is 27.5%. This will result in lower deferred tax assets and liabilities as of December 31, 2020 and provision for deferred tax for the year then ended by ₱65,895 and ₱79,662, respectively. These reductions will be recognized in the 2021 consolidated financial statements.

20. Financial Risk Management Objectives and Policies and Capital Management

The Group has financial assets which arise directly from its operations. These financial assets include "Cash and cash equivalents", "Receivables" and "Due from related parties". The Group's financial liabilities consist of "Accounts payable and other current liabilities" and "Due to related parties". The Group's intention in incurring these liabilities is to obtain funds for its day-to-day operations.

The Group, being an exclusive nonprofit membership club which derives 52% of its income from fixed membership dues collected from its members and 48% from its operations, is exposed to minimum financial risks. Investing activities are limited to short-term money market placements in fully-secured government securities. The Group's risk management is governed by the Finance and Audit Committee, with coordination and in close cooperation with the BOD, and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not engage in the trading of financial assets for speculative purposes and did not enter into any free-standing derivative transaction in 2020 and 2019. The most significant financial risks to which the Group is exposed are credit risk and liquidity risk.

The BOD reviews and approves policies of managing each of the risks and they are summarized below:

Credit Risk

The Group's receivables are actively monitored to avoid significant uncollectible accounts. Policies are in place to ensure collection of these receivables. In case of delinquency, the Group's By-Laws provide for clear-cut measures and sanctions against members with unpaid accounts. These measures include withholding services and suspending rights and privileges to the member. In addition, the Group has the first lien on every share of stock to secure debts of members arising from unpaid membership dues and other club charges. Sales of products and services to non-members, i.e., members' guests, are on cash basis. In the case of membership dues, advance payment promotions are launched each year with incentives on early annual payments to reduce receivables from members. These measures minimize the credit risk exposure or any margin loss from possible default in the payment of receivables.

The credit qualities of the Group's cash and cash equivalents are neither past due nor impaired and are considered to be of good quality. The Group's cash and cash equivalents are deposited in reputable commercial banks, which earn interest at prevailing bank interest rates and are unrestricted as to withdrawal.

There are no significant concentrations of credit risk within the Group.

The table below shows the maximum exposure to credit risk for the Group's financial assets as of December 31, 2020 and 2019:

	2020	2019
Cash and cash equivalents*	**₱52,964,823**	₱64,243,332
Receivables**	**31,372,952**	30,545,960
Due from related parties	**–**	2,042,919
Total credit risk exposure	**₱84,337,775**	₱96,832,211

**Excluding cash on hand amounting to ₱383,906 and ₱258,889 as of December 31, 2020 and 2019, respectively.*
***Excluding advances to suppliers amounting to ₱254,619 and ₱427,658 as of December 31, 2020 and 2019, respectively.*

The aging analysis of financial assets (excluding cash and cash equivalents) are as follows:

	2020					
	Neither Past Due nor Impaired	**Past Due but not Impaired**				
		Less than 30 Days	**31 to 60 Days**	**More than 60 Days**	**ECL**	**Total**
Receivables:						
Members	**₱7,278,947**	**₱1,379,219**	**₱–**	**₱21,350,947**	**₱8,127,507**	**₱38,136,620**
Others*	**1,363,839**	**–**	**–**	**–**	**2,047,529**	**3,411,368**
	₱8,642,786	**₱1,379,219**	**₱–**	**₱21,350,947**	**₱10,175,036**	**₱41,547,988**

**Excluding advances to suppliers amounting to ₱254,619.*

	2019					
	Neither Past Due nor Impaired	Past Due but not Impaired				
		Less than 30 Days	31 to 60 Days	More than 60 Days	ECL	Total
Receivables:						
Members	₱3,606,352	₱7,394,928	₱1,643,810	₱15,468,287	₱6,593,040	₱34,706,417
Others*	1,175,061	–	484,178	773,342	–	2,432,581
Due from related parties	385,380	–	–	1,657,539	–	2,042,919
	₱5,166,793	₱7,394,928	₱2,127,988	₱17,899,168	₱6,593,040	₱39,181,917

**Excluding advances to suppliers amounting to ₱427,658.*

The table below shows the credit quality of the Group's financial assets which are neither past due nor impaired:

	2020			
	Neither Past Due nor Impaired			
	High	**Medium**	**Low**	**Total**
Cash and cash equivalents*	**₱52,964,823**	**₱–**	**₱–**	**₱52,964,823**
Receivables:				
Members	**7,278,947**	**–**	**–**	**7,278,947**
Others	**1,363,839**	**–**	**–**	**1,363,839**
	₱61,607,609	**₱–**	**₱–**	**₱61,607,609**

**Excluding cash on hand amounting to ₱383,906 as of December 31, 2020.*

	2019			
	Neither Past Due nor Impaired			
	High	Medium	Low	Total
Cash and cash equivalents*	₱64,243,332	₱–	₱–	₱64,243,332
Receivables:				
Members	3,606,352	–	–	3,606,352
Others	1,175,061	–	–	1,175,061
Due from related parties	2,042,919	–	–	2,042,919
	₱71,067,664	₱–	₱–	₱71,067,664

**Excluding cash on hand amounting to ₱258,889 as of December 31, 2019.*

Receivables from members with "High" credit rating are collected within billing date. Customers with receivables classified as "Medium" credit rating pay their dues within 31 to 60 days after billing date. "Low" rating receivables are collected after 60 days from billing date but before 90 days. Past due but not impaired receivables are collected after 90 days, in which case, they are already considered delinquent.

Cash and cash equivalents, receivables from members, and due from related parties have a "High" credit rating since these are transacted with reputable and financially sound counterparties.

Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of short to medium-term investments and advances from related parties. The Group monitors its risk to a shortage of funds through monitoring of financial investments, financial assets and projected cash flows from operations. The Group's objectives in managing its liquidity profile are: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; and c) to be able to access funding when needed at the least possible cost.

The following tables summarizes the maturity profile of the Group's financial assets held for managing liquidity and financial liabilities based on contractual undiscounted payments:

	2020		
	On Demand	**Less than 3 Months**	**Total**
Financial assets			
Cash and cash equivalents	**₱52,964,823**	**₱–**	**₱52,964,823**
Receivables:			
Members	**7,278,947**	**–**	**7,278,947**
Others	**1,363,839**	**–**	**1,363,839**
	₱61,607,609	**–**	**₱61,607,609**
Financial liabilities			
Accounts payable and other current liabilities*	**18,434,634**	**–**	**18,434,634**
Due to related parties	**18,099,651**	**–**	**18,099,651**
	36,534,285	**–**	**36,534,285**
Liquidity position	**₱25,073,324**	**₱–**	**₱25,073,324**

**Excluding statutory payables amounting to ₱458,633.*

	2019		
	On Demand	Less than 3 Months	Total
Financial assets			
Cash and cash equivalents	₱64,243,332	₱–	₱64,243,332
Receivables:			
Members	3,606,352	–	3,606,352
Others	1,175,061	–	1,175,061
Due from related parties	2,042,919	–	2,042,919
	71,067,664	–	71,067,664
Financial liabilities			
Accounts payable and other current liabilities*	28,465,384	–	28,465,384
Liquidity position	₱42,602,280	₱–	₱42,602,280

**Excluding statutory payables amounting to ₱652,921.*

Capital Management

The primary objective of the Group's capital management is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide benefits for its members and other stakeholders.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may issue new proprietary shares or sell assets to reduce debts.

The Group's capital includes the following:

	2020	2019
Proprietary shares	**₱528,849,206**	₱528,849,206
Additional paid-in capital	**2,638,558**	2,833,289
Cumulative deficiency of revenues over expenses	**(71,492,508)**	(48,180,492)
Shares of delinquent shareholders acquired through auctions	**(1,744,838)**	(5,539,569)
Other comprehensive income	**2,180,758**	1,795,316
	₱460,431,176	₱479,757,750

21. Financial Instruments

Financial assets

Due to the short-term nature of the transactions, the fair value of cash and cash equivalents, receivables, due from related parties and deposits approximate the amount of consideration at the time of initial recognition.

Financial liabilities

The fair values of the Group's accounts payable and other current liabilities (excluding statutory payables) approximate the amount of consideration at the time of initial recognition.

22. Other Matter

Impact of coronavirus outbreak and enhanced community quarantine

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, which was subsequently extended to April 30, 2020 and further extended to May 15, 2020. The ECQ shifted to modified enhanced community quarantine (MECQ) until May 31, 2020 and to general community quarantine (GCQ) for NCR and certain provinces until the first of the third quarter. Subsequently, MECQ was once again imposed on select areas including Metro Manila and a few other provinces in the National Capital Region from August 4 to 18, 2020 then back again to GCQ until December 31, 2020.

Under the Department of Tourism's Administrative Order No. 2020-006 issued on September 25, 2020, which allowed the use of hotels for staycation purposes, with the purpose of promoting an increase in economic activity primarily for the accommodation sector, the Group resumed daily operation of all its food and beverage outlets, room accommodation facilities, and all its complementary facilities on December 1, 2020. This was despite the General Community Quarantine imposed by the government as a continued measure to contain the Corona Virus Disease (COVID-19) pandemic. Room occupancy rates and operating revenues improved materially, showing an upward trend until the first two months of 2021. However, on March 27, 2021, amid the surge of coronavirus cases in Metro Manila and surrounding provinces, President Rodrigo Duterte, upon the recommendation of the Inter-Agency Task Force on Emerging Infectious Diseases (IATF), placed the National Capital Region and its surrounding provinces of Cavite, Laguna, Bulacan and Rizal under Enhanced Community Quarantine, which extended until April 11, 2021. Following this pronouncement, the province of Batangas and the Department of Tourism issued their respective guidelines, restricting inter zonal travel and limiting the scope of allowed hotel accommodation, resulting to substantial cancellation of room bookings.

Until the number of coronavirus cases in the country is stabilized, the effects of the pandemic will continue to be adversely reflected in the hospitality and leisure industry to which the Group belongs. Fortunately, with its exclusive membership set-up, its coastal location offering open-air and outdoor facilities, which includes a golf course and marina hosting more than 300 boats at its dry parking, floating berths and mooring, the Group enjoys guaranteed patronage from its members who view the Group as a safe haven amid this pandemic.

BOARD OF DIRECTORS

Pedro E. Roxas
Chairman

Erickson Y. Manzano
President

Santiago R. Elizalde
Vice-Chairman

Francisco R. Elizalde
Director

Edgar P. Arcos
Treasurer

Maida B. Bruce
Director

John Patrick C. Gregorio
Director

Albert V. Villa-Real
Director

Vivian S. Liban
Director

Luz C. Laguitao
Independent Director

Pilar T. Lee
Independent Director

Atty. Noel A. Laman
Corporate Secretary

Board Committees

Executive Committee	Erickson Y. Manzano (Chairman) Pedro E. Roxas Santiago R. Elizalde Maida B. Bruce Vivian S. Liban
Corporate Governance Committee	Pilar T. Lee (Chairwoman) Luz C. Laguitao Pedro E. Roxas
Finance Committee	Edgar P. Arcos (Chairman) Pilar T. Lee Vivian S. Liban John Patrick C. Gregorio
Audit Committee	Pilar T. Lee (Chairwoman) Edgar P. Arcos Vivian S. Liban Maida B. Bruce
HR & Labor Committee	Luz C. Laguitao (Chairwoman) Erickson Y. Manzano Pilar T. Lee Vivian S. Liban
Membership Committee	Santiago R. Elizalde (Chairman) Albert V. Villa-Real Roberto S. Kanapi
Marina & Sports Committee	Santiago R. Elizalde (Chairman) Jose Picornell Michael Jeremy Rollin Philip Hagedorn Noel A. Laman John Patrick C. Gregorio
Nomination & Election Committee	Pilar T. Lee (Chairwoman) Jose L. Ignacio Jose S. Picornell Francisco R. Elizalde John Patrick C. Gregorio

Management Team

Edgar Johannes F. Krohn	General Manager
Ma. Rosandra A. Gayosa	Finance Director
Maria Lynne T. Castillo	Human Resources Manager
Nichole T. Sze	Membership Manager
Renelito V. Bentir	Marina Manager
Katherine S. Sacbayana	Rooms Manager
Marites G. Felicisimo	Executive Housekeeper
William N. Velasco	Executive Chef
Philip D. Baltazar	Executive Pastry Chef
Christian C. Valeriano	Sous Chef
Wesley A. Valdez	Sous Chef
Gary Alexander L. Manalang	Assistant F&B Manager
Anthony B. Nacion	Terrazas Operations Manager
Joseph Ronald C. Camiña	Chief Engineer
Owen Aldrin P. dela Cruz	MIS Manager
Lilibeth M. Pega	Cost Control Manager
Rolando M. Flores	Security Manager

Managed by:

AHG

Service as You Please

Juan P. Roca
Managing Director

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Abella, Bernardino, Listones and Partners
Borge Law Office

Banks
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Union Bank of the Philippines
Bank of the Philippine Islands
Rizal Commercial Banking Corporation
China Banking Corporation
BDO Unibank, Inc.

External Auditors
SyCip Gorres Velayo & Co.