Valley Golf & Country Club, Inc.

2019

Annual Report
F.Y. 2018-2019

Table of Contents

Our Mission

To provide world-class golf and recreational facilities and efficient high quality services to its members, families and guests; friendly atmosphere, affordable cost and the employment of dedicated and service-oriented personnel. It is the overriding goal of the Club to promote the game of golf, enhance harmony and fellowship and instill courtesy, discipline, honesty, fair play and integrity among all its members.

Our Vision

Valley Golf, the premiere golf and country club providing unparalleled recreational experience to our members, their families and guests.

President's Report

I am honoured and humbled to have been elected as President of an organization that was formed back in 1958 by visionary individuals who were motivated and determined to provide an unparalleled recreational experience to our members, their families and guests. It is truly hard to believe how quickly this year has passed, and I have been privileged to play a part in its storied history.

On March 27, 2019, we had a very successful auction of delinquent shares of stock, with the highest bid at Php705,000 plus Php112,000 in fees. During the past year, Valley Golf has become the number one club in the country in terms of share value appreciation percentage-wise. Our share price has surged to almost P1M, more than 140% from early 2018 and far outpacing the rise in real estate values in neighbouring areas.

We purchased additional electric golf carts which prove to be a healthy revenue stream for our Club. Club-owned carts now total 100.

Our financial position has remained as strong as ever. In fact our cashflow is the same as last year despite having more projects and dealing with increase in expenses. This is due to our efforts to increase revenue from green fee, transfer fees from sales of share, road maintenance assessment fee including stickers and also the increase in sales of our concessionaires. Management achieved this without increasing monthly dues of our members.

On 8 July we commenced - on schedule - a project to convert the South Course greens to Zoysia Matrella. This project had actually started much earlier in November of 2018, with the development of the requisite nurseries. Then, after careful deliberation as to the best way forward, it was decided to use the plugging method so as to cause as little disruption to the playability of the course as possible. Directly resulting from this decision, not one green has been closed for the process, and the members have not been deprived of a single day of access to the South Course. The plugging phase was projected to take 18-20 weeks (to end around the first week of November), but with the board and management's focus, and the hard work put in by our course maintenance contractor VMJ, this phase is set to be completed significantly ahead of schedule by the first week of October. It can be expected that the greens will be in excellent condition by early 2020.

Together with converting the South greens to Zoysia Matrella, on January 19, 2019 we began the conversion of the South fairways to Zoysia Japonica. To some extent this has been occurring over the years by natural intrusion, but it was in January that the club started the purchase of 1000sqm a month of japonica sod which has been strategically placed in selected bare areas, and which has been aggressively spreading since. Furthermore, the fairway aeration in July was also used to enhance the spreading of the japonica by distributing the cores through dragging (this will be done again in October). And finally, the cores harvested from the North greens aeration in July (and will be again in October) were used to enhance further the spread of japonica. The South Course has always been regarded as one of the great golf layouts in the Philippines and even South East Asia. With the conversion of greens to Zoysia Matrella, and the fairways to Japonica, it will truly be one of the premier courses in the region.

The waterways of Valley Golf had been neglected for many years. The build-up of trash and silt, that then caused the build-up of silt islands were not only a foul-smelling eyesore, but they were bad for the golf course and pumps as well. The project which started in February of this year, and is nearly complete, clears away the years of neglect and has opened the pathway for management to design, plan, and implement long-term solutions that ensure the waterways remain a feature rather than a problem well into the future. Additionally, management has added a waterways upkeep team whose responsibility, on a daily basis, is to remove trash and improve the quality of our waterways. Aesthetics aside, the key benefit of improving the waterways is the improvement of the quality of water that is being irrigated back onto the course. Poor water quality has required regular costly repairs to our pumps, as well as build-up of silt in the fairways and greens which impedes drainage. Long-term improvements in this area will impact both bottom line and quality of golf. Drainage has also been improved by adding herringbone drains in several locations, the benefit of which we now experience on days with heavy rains. This project will continue more cost effectively in-house under the direction of our club engineer.

Finally, we are pleased to report that this Board has authored a Five-Year plan which seeks to provide the Club's management with a framework for the Club's progress for the next few years. Potential projects that are included in the plan include:

1. Renovation of the swimming pool.
2. Development of a fine dining concept at the lower veranda.
3. Development of a member's sports bar and lounge at the lower veranda.
4. Creation of a social membership that will help to sustain these projects.

A part of the Five-Year plan also recommendeds changes to course access by non-members. These proposed changes, which promote the exclusivity of Valley Golf and support the share value, include:

A. Greater Exclusivity
B. Limited Access to Local (encourage membership purchases)
C. Tourist Focus
D. Member Sponsored Tournaments at North Course

E. Honour the Seniors; Develop the Youth

It is the goal of this Board to implement decisions and develop strategies that provide long-term solutions to problems and long-term support for the quality and value of Valley Golf and Country Club.

As I near the end of my term, I thank the members of the Board, the various committees, past presidents, our fellow members, the employees, our concessionaires and service contractors, for their unwavering support. I am very fortunate to be working side-by-side with great people.

JAIME VICTOR J. SANTOS

Treasurer's Report

As the Chief Financial Officer of our Club I am pleased to report that we are in the right track in achieving one of our primary objectives for the Fiscal Year 2019 and that is to increase the market value of our shares of stock. The market value of our shares of stock has reached Php1 Million plus transfer fee. Our keen business decisions, the continuing development of our golf courses and the upward trend of the golf clubs' market are contributing factors for our achievement. Your Board is committed in its effort to maintain the steady increase in the market value of our shares of stock. The scheme to gradually return the exclusivity of the Club but at the same time introducing alternative revenue sources to cushion the financial impact is a matter we are considering to pursue.

The results of operations for the Fiscal Year ending June 30, 2019 is reflected in the Audited Financial Reports. Gross Revenue from Operations amount to Php136.62 Million or an increase of Php15.26 Million from last year's figure of Php121.37 Million. Operating Expenses however increased from Php100.12 Million in 2018 to Php116.14 Million in 2019 or an increase of Php16.02 Million. Excess of revenue over expenses for the year amount to P6.94 Million or a decrease of Php5.24 Million from last year's excess of Php12.18 Million.

In a more detailed analysis of our Revenue sources, the significant increases are from our Green Fees by Php3.25 Million, Assessment for Road Maintenance by Php3.39 Million, Service Fee on Membership and Transfer Fee by Php2.34 Million, Road Users' Fee by Php1.89 Million, and Golf Cart Rental by Php1.17 Million. Our Operating Expenses increased due to maintenance works concentrated in our golf courses and clubhouses as part of the Club's effort to give back to our members our excess revenues. The projects include the Zoysia Nursery - Php1.02 Million, Eves, gutters, downspouts and other minor repair works on the roof of the Locker area – Php1 Million, Desilting at Hole # 12 – Php598k, Drainage Improvement of the South Course - Php330k, Renovation of the Men's Locker in the North Clubhouse - Php297k and Zoysia Japonica for the Fairways - Php285k. External factor such as the 5.21% inflation rate in the later part of 2018 as a consequence of the Train Law also adversely affected our expenses.

During the year, the Treasury was able to finance various projects such as the Reblocking of the Don Celso Tuason Ave., purchase of 30 units electric golf carts, Dredging of Ponds and purchase of Forward Truck and Manlift Truck.

We would like to note the impressive improvement in our Balance Sheet. Our Current Assets increased by Php7.28 Million, from Php63.19 Million in 2018 to Php70.48 Million. Our Property and Equipment increased by Php6.60 Million. Our total assets for the Fiscal year 2019 are Php314.60 Million. Our Liabilities however, increased by Php5.12 Million due to payables on the installment terms of the golf carts and payables to suppliers that are not yet due.

We were able to conduct one auction of delinquent shares of stock last March 27, 2019. There were 13 shares approved for auction and 10 paid their accounts, the remaining 3 shares were sold with the highest bid at Php705k plus transfer fee. The total assets of the Retirement Fund is Php17.74 Million with a 9.67% rate of return on investment.

For the coming year, the Treasury is committed to safeguard our assets and strictly adhere to the Club's budget and procurement policies. We are fortunate to be very liquid for the past two years and we shall exert all effort to maintain the financial stability of our Club. We have several projects in the planning stages for the amenities of the Club as well as the continuous improvement of the golf courses and we are confident that the Treasury will be able to finance these projects

I wish to express my deepest appreciation to President Jaime Victor Santos, the members of the Board of Directors for the trust and confidence to the Treasury on my second term and to the Finance Committee. Thank you to our members for the support to the Treasury Group and the Almighty for His guidance.

WILFREDO G. MANAHAN

VALLEY GOLF & COUNTRY CLUB, INC.

BOARD OF DIRECTORS 2018-2019

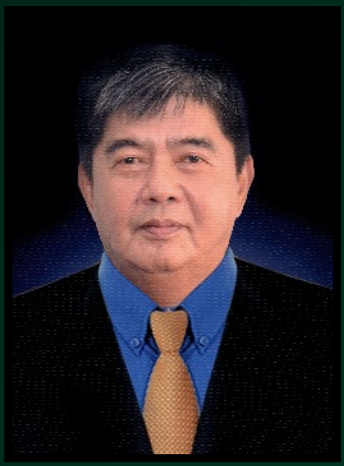
JAIME VICTOR J. SANTOS
PRESIDENT

ALBERT DG. SAN GABRIEL
VICE-PRESIDENT

WILFREDO G. MANAHAN
TREASURER

LEOPOLDO M. GARCIA
ASSISTANT TREASURER

VIRGILIO C. BUCAT
DIRECTOR



AUGUSTO A. CRUZ, JR.
DIRECTOR

JEREMY Z. PARULAN
DIRECTOR

ALBERT G. QUE
DIRECTOR

RONALD O. SOLIS
DIRECTOR

RIO SESINANDO E. VENTURANZA
CORPORATE SECRETARY

Committee Members 2018-2019

Administration Committee

Chairman	LEOPOLDO M. GARCIA
Vice-Chairman	LEOPOLDO T. SANCHEZ
Member	RUSTICO DG. NERO
Member	MARCELINO M. DE GUZMAN
Member	LESLIE C. AGONCILLO
Member	ROMEO M. AVILA
Member	ARMANDO P. PEREZ
Adviser	FELIPE T. CUISON

Finance Committee

Chairman	WILFREDO G. MANAHAN
Vice-Chairman	MICHAEL RAYMUND R. LIAMZON
Member	GERARD A. CEBALLOS
Member	ALBERTO E. PASCUAL
Member	ERIC R. ILLESCAS
Member	DONALD JOSEPH C. MACOMB
Member	JOSE LUIS A. ACHACOSO
Adviser	JOSE CRISPIN S. BAIZAS
Adviser	DANILO A. ALCOSEBA

Grounds Committee

Chairman	ALBERT G. QUE
Vice-Chairman	FERNANDO R. SANTICO
Member	ARNOLD P. DUAY
Member	CARLO J. CARPIO
Member	JAN ERWIN B. MENGUITO
Member	RAYMUNDO G. ESTRADA
Member	DAMASUS C. WONG
Member	JOSE MA. ENRIQUE R. MADAMBA
Member	RAFAEL P. ESTANISLAO
Member	RAYMUND B. PUYAT
Adviser	VIRGILIO C. BUCAT

Engineering & Construction Committee

Chairman	ALBERT G. QUE
Vice-Chairman	LEOPOLDO M. GARCIA
Member	JOSE ARSENIO ISIDRO D. BORROMEO III
Member	REYNALDO M. REGINO
Member	JOSELITO C. GUTIERREZ
Member	HILARIO O. ABALOS
Member	DOMINGO A. BRION, JR.

Membership Committee

Chairman	WILFREDO G. MANAHAN
Vice-Chairman	ERNESTO O. SEVERINO
Member	MARCUS ANTONIUS T. ANDAYA
Member	JOSE ANTONIO S. BORROMEO
Member	JOSE B. CRUZ
Member	JOHN VINCENT S. SICAT
Member	JOSEPH T. RAMOSO
Member	REGINALD BENJAMIN V. SAN PEDRO
Adviser	NICANOR S. JORGE

Sports & Games Committee

Chairman	JEREMY Z. PARULAN
Vice-Chairman	LUIS G. QUIOGUE
Member	RAFAEL S. RAYMUNDO
Member	CARLO J. CARPIO
Member	VALENTIN N. LOPEZ
Member	RUPERTO S. KAPUNAN IV
Member	DENARDO M. CUAYO
Member	PEDRO H. MANIEGO, JR.

House Committee

Chairman	ALBERT DG. SAN GABRIEL
Member	RONALDO R. LIAMZON
Member	BUENAVENTURA V. FULGENCIO, JR.
Member	JOSE ANTONIO S. BORROMEO
Member	ANIL A. SEHWANI
Member	EDGAR ALLAN D. DY
Member	LUIS MANUEL S. POLINTAN
Adviser	ALEJANDRO JOSE D. HIRANG

Security Committee

Chairman	VIRGILIO C. BUCAT
Member	REYNOLD R. RAQUEL
Member	FERDINANDO G. SEVILLA
Member	SAMUEL M. PALER II
Member	RAFAEL P. ESTANISLAO
Member	TEDDY Z. TAN

Audit Committee

Chairman	AUGUSTO A. CRUZ, JR.
Member	JEREMY Z. PARULAN
Member	VIRGILIO C. BUCAT
Member	ERIC BERNARD C. TAN
Member	JOSE B. CRUZ
Member	JOAQUIN P. TOLENTINO, JR.
Member	EMERITO L. RAMOS III
Adviser	ERROL U. COLLADO

Trust Fund Committee

Chairman	LUIS G. QUIOGUE
Member	RICARDO N. FERNANDEZ
Member	SANTIAGO S. LIM
Member	MARCOS C. HERMOSO

Bids & Awards Committee

Chairman	ALBERT DG. SAN GABRIEL
Member	WILFREDO G. MANAHAN
Member	AUGUSTO A. CRUZ, JR.
Member	DAN L. SALVADOR III
Member	ERNESTO O. SEVERINO
Member	JULIUS C. VILLARUZ
Member	RONALD O. SOLIS
Adviser	RODEGELIO M. PANAGUITON

Real Estate Committee

Chairman	RONALD O. SOLIS
Member	RODEL A. CRUZ
Member	SANTIAGO S. LIM
Member	ROBERTO T. FIGUEROA
Member	JOSE BASILIO G. LEONARDO
Member	GERARDO B. MARCELO
Member	RENATO C. BALIBAG
Adviser	LUIS G. QUIOGUE

Legal Committee

Chairman	RONALD O. SOLIS
Member	FELIPE T. CUISON
Member	BYRON G. SAN PEDRO
Member	OTHELO C. CARAG
Member	RICARDO N. FERNANDEZ
Member	PLARIDEL J. BOHOL II
Adviser	RAOUL V. VICTORINO

Marketing & Reciprocity Committee

Chairman	WILFREDO G. MANAHAN
Member	CARLO ANTHONY O. DOBLES
Member	MICHELLE DEL ROSARIO
Member	RENE T. CENIZA
Member	ROBERTO MARIA S. GUERRERO
Member	IRA GABRIEL C. VALTE
Member	ISAURO THOMAS EDISON V. SAN PEDRO

ADMIN COMMITTEE

The Admin Committee successfully conducted the 1st Medical-Dental Mission last April 29, 2019 (Monday) for 800 individuals consisting of VGCCI employees, caddies, umbrella girls, grounds maintenance, waiters/waitresses and security guards. Our Club remains committed in looking after the health and physical well being of our people.

The Committee also initiated the holding of an in-house Seminar last December 10 and 11, 2018 for Customer Service Relations which was attended by 44 front liner rank and file employees from different departments. The objective of this training is to get our employees motivated, happy, and efficient in order to enhance their capability of interacting with members and guests concerning various issues.

Last November 1, 2018, the club granted a P550.00 wage increase to all rank and file employees covered by the Collective Bargaining Agreement. For Managers and supervisors, the Board approved an increase of 4% average of their present salary effective July 1, 2019.

The Admin Committee also initiated a recruitment process for the Engineering Department Head/Safety Officer. This resulted in the hiring of Engr. Gershon Babon for a probationary period of six (6) months following which he may become a regular employee of the Club depending upon his performance. His employment commenced on July 17, 2019.

Also the Administrative Committee likewise took up the matter of certain purchases needed by the Club and thereafter recommended approval of the same by the Board. The Committee is happy to note that its said recommendation was thereafter approved.

AUDIT COMMITTEE

The Committee held regular meeting every month to continuously attain their primary objective of providing independent assurance that the company's risk management, governance, and internal control processes are operating effectively and efficiently.

The Internal Audit monitors the overall procurement to payment of transactions which includes the operating and capital expenditures of the Club. Aside from that the Committee highlights the following accomplishments:

Month	Audit Highlights
November 2018	• Recommend the appointment of two (2) in-house Internal Auditors.
December 2018	• Audit of Christmas Gift for Caddies and Umbrella Girl. • Establishment of a new control mechanism for Toll Fee/Road user Fee Collection. This scheme drastically improves the toll fee collection by P1,529,657 or 32% as compared to FY 2018. • Improvement on compliance with the Data Privacy Act of 2010.
January 2019	• Monitoring of Board and Committee Expenses
February 2019	• Supervises and monitors the Parking Income from Event Centers • Monitors sale on Car Stickers.
March 2019	• Review of Z&S Diving and Marine Contract which is responsible for the dredging/desilting of South Course Pond Hole 13/16, Hole17 and North Course Hole 17 Pond. • Special audit on all Senior Citizen IDs which generate P33,778.38 collection. • Assistance on Auction of Delinquent Shares.
April 2019	• Audit of the 63rd Intraclub Tournament. • Audit of the completion of Dredging on South Course Hole 13/16 Pond by Z&S Diving and Marine Corporation.
May 2019	• Assistance on the 20th Don Celso Tuason Cup Raffle
June 2019	• Audit of the 20th Don Celso Tuason Cup • Audit of Anix's House of Kare-Kare F&B Consumables of Guests

FINANCE COMMITTEE

The Finance Committee is the principal committee tasked by the Board to oversee and maintain the financial well being of our Club. It is fortunate that cash flow wise we are very liquid for the Fiscal year 2019 and this imposes more challenge for the Finance Committee to safeguard the disbursements and plan for the future projects of our Club.

For the Fiscal Year 2019 the Finance Committee in its effort to accomplish the mandates of the Board of Directors was able to submit the following recommendations to the Board:

- Auction of delinquent shares of stock
- Auction of six (6) units old Yamaha gasoline golf carts
- Purchase of 20 units Yamaha electric golf carts
- Amendments of the terms on reciprocity with local golf clubs.
- Increase in the cash deposit of Playing Rights Members and Corporate Representatives
- Sale of green fee coupons to Prime Sports
- Deposit Pick-Up Facility and Corporate Utility E-Payments
- Changes in Accounting Policy on Non-accrual of surcharges and interests on delinquent accounts and change in accounting treatment of sales of concessionaires.
- Special Engagement for the Review of the adoption of PFRS 15 (Revenues from contracts with customers) and PFRS 9 (Financial Instruments)

The Auction of Delinquent Shares of Stock conducted last March 27, 2019 was very successful with the highest bid at Php705k plus Php112k transfer fee. This paved the way on the upward trend of the market value of our shares. We purchased additional electric golf carts and proved to be a very viable revenue source of our Club; we now have a total of 100 golf carts. The recommendation to increase the refundable cash deposit of Playing Rights Members and Corporate Representatives from Php15k to Php25k was brought about to safely cover their outstanding accounts.

The Finance Committee also monitors the investment strategy of the Retirement Fund of Valley Golf thru our administrator, the RCBC Trust Division. The fund level as of June 30, 2019 is Php17.74 Million and ROI is 9.67%.

The Finance Committee ensures that our financial statements were prepared in accordance with Philippine Financial Reporting Standards and the SEC. Our external auditors Sycip Gorres Velayo & Co. rendered an unqualified opinion on the fair presentation of our financial statements.

ENGINEERING COMMITTEE

The Engineering Committee took charge for the planning and implementation of projects that focused on the improvement of Valley Golf's Structures, Facilities, Roads and Golf Courses. Projects relating to the improvement of Golf Cart Paths, Parking Space for the Golf Carts, Rip-raps, Tee-Houses, Drainages, Garbage Bins, Perimeter Walls, Lagoons & Waterways.

The improvement of our waterways is vital in the improvement of the Club itself. Over the years the problem at Valley has been trash and silt building up at the lagoons and waterways. To address the issue, the solution has been categorized to Rainy& Dry Season. During dry season, the main problem is trash build up due to slow water flow, so installation of filter screens has been placed and will be added to trap the trash at certain points of waterways. There is a cleaning team designated to daily remove the trapped trash at the filter screens. During rainy season, the strong current flow at our waterways can be used at our advantage, the only vital point is the management of sluice gates to flush out trash & silt from our lagoons and waterways.

Summary of Completed Projects:

1. Additional Parking Space for Members' Golf Carts and VGCC Equipment at Old Housing Building.
2. Cart Path Repair at North Course Hole #14 Fairway
3. Construction of Lay-by at North Course Hole #2

4. Dredging of South Course Lagoon #12
5. Repair of Rip-rap at South Course Lagoon #12
6. Installation of Paving Blocks at North Course Tee-House #4
7. Construction of Rotonda at North Course Hole #16
8. Removal of Water Hyacinth& Dredging at North Course Lagoon #16
9. Removal of Water Hyacinth at North Course Lagoon #17
10. Removal of Water Hyacinth at North Course Lagoon #2
11. Replacement of Garbage Bin Cover
12. Improvement of Drainage to Eliminate Water Ponding at Cart Paths at South Course Hole 1, 5, 11, 14, 16, 17, 18
13. Improvement of Drainage to Eliminate Water Ponding at Cart Paths at North Course Hole 18
14. Bridge Repair at DCT Near Security Guard Barracks
15. Road Reblocking along DCT

Summary of On-Going Projects:

1. Installation of Filter Screens at South Course Lagoon # 12 & 13
2. Dredging at North Course Lagoon #8 & 9
3. Planting of Indian Tree to Cover-Up Residential Houses Beside Perimeter Walls

Summary of Urgent Projects:

1. Installation of Gabion Filter at South Course Lagoon #17
2. Improvement of Intake Pipe and Pump Station at North Course Hole #6

Summary of Future Projects:

1. Construction of Club-Owned & Member-Owned Golf Cart Parking Structure
2. Construction of Rip-Rap at North Course Lagoon #6
3. Repair of Rip-rap at North Course Tee-House #14
4. Repair of Rip-rap at North Course Lagoon #9 & 13
5. Replacement of Pumps at North & South Course Pumping Station
6. Concreting of Pond Bed at South Course Hole #12

The improvements of the Club's facilities will be continuous and unceasing for the interest of the members and to attract future investors.

GROUNDS COMMITTEE
(By VMJ EGMCC)

This year, as approved by the Board, we have introduced the use of Zoysia Matrella to our greens by plugging process – a more affordable option. Aggressive maintenance program: coring and solid tine aeration twice a year, light to heavy top-dressing of sand, to foliar and granular fertilization with fungicide, insecticide, and growth retardant to sustain the quality of the turf. Herbicide Program and Manual Weeding had been continuous to prevent the rapid contamination of goose grass and carabao grass from the turf. The bunker we have renovated which was completed by August 2018 is in good condition and we foresee no issues in the coming years. Tree trimming had been continuous for both courses hole 1 – 18. Planting of Zoysia Japonica (South Course) was implemented to minimize contamination of foreign grass.

Projects that have been completed of VMJ EGMCC for 2018 - 2019:

1. Construction of Nursery.
   - South Course Hole 8, 9, and 12
   - North Course Hole 4, and 14
2. Drainage improvement.
   - South Course Hole 1, 2, 10, 11

On-going Project:

Plugging of Zoysia Matrella to Greens.

Start Date: July 08, 2019
End Date: Set to finish at the end of Nov 2019

PROPOSED PROJECTS:

1. Replacement of bunker sand from Silica to Crushed Marble – South Course.
2. North Course Tee Tops Renovation – Carabao Grass to Zoysia Grass.
3. South Course Tee Tops Renovation.
4. Replacement of Turbine Motor of pump rooms for both courses
5. Installation of Satellite Controllers at North Course.
6. Additional drainage installation on fairways for both courses.

HOUSE COMMITTEE

Dining/ Food Services

VGCCI is served by two concessionaires Anix's and Jayj's at the main and north clubhouses respectively. Both concessionaires have posted solid sales this fiscal period, earning for the club rental revenue and positive exposure as more members and guests come to enjoy and patronize Valley's dining facilities.

Authentic Korean food can also be enjoyed at the driving range's in-house restaurant.

Facilities Maintenance

This year the House Committee has continued on the improvement of existing facilities.

The following projects were undertaken or initiated this period:

- Completion of the re-roofing of the main clubhouse (locker wing of the main building);
- Renovation and operation of the North Clubhouse men's locker room;
- Repair and refinishing of dining furniture at the main clubhouse dining area;
- Purchase of an ice making machine as a cost cutting measure;
- Repair of roofing of motor pool building;
- Acquisition of new sound system for the banquet hall;
- Other regular housekeeping repairs and activities were also accomplished.

The following are projects targeted for implementation next year.

1. Renovation of the Ladies' locker room;
2. Poolside redevelopment including construction of a dining pavilion, renovation of the swimming pool and its landscaped areas;
3. Construction of an air-conditioned fine dining area at the upper deck of the lower veranda.
4. Construction of a caddie's toilet at the tee house of Hole #6 South course.

MEMBERSHIP COMMITTEE

There were a total of **56** proprietary members, **22** corporate representatives, **29** playing guests and **6** associate members that were approved for the fiscal year 2018 to 2019.

As of June 30, 2019, there are a total of 1,594 shareholders. Total transfer fees amounted to Php **6.690** million.

All incidents and complaints reported to the committee were resolved accordingly.

SECURITY COMMITTEE

The Committee held regular meetings during the year, with the members of the committee constituting a quorum, along with representatives of Gold Cross Security Agency and Mr. Jojo Arguelles and Ms. Rose Victor of VGCC.

SECURITY COMMITTEE PROJECTS FOR THE YEAR 2018-2019:

1. Re-blocking and installation of drainage system along Don Celso Tuason Avenue.
2. Construction of new guard house at the Ortigas Gate with toilet
3. Construction of toilet for the guards at the Secondary Gate.
4. Installation of CCTV cameras at Sumulong and Ortigas gates.
5. Removal and re-location of Shuttle and Tricycles along DCT Avenue.
6. Clean-up operation along DCT Avenue with the assistance of the local government unit of Cainta
7. Implementation of Tire clamping of illegally park vehicles along DCT Avenue.

This year the committee is happy to inform the increase in revenue thru our collection system with the help of our new security agency GOLD CROSS SECURITY AGENCY.

TRUST FUND COMMITTEE

The Trust Fund balance as of June 30, 2019 is Php4,773,793.17. Additions to the fund this past year are, as follows:

1. 5% portion from the proceeds from the sale of real property in the amount of Php146,037.57
2. Interest earned for the year amounting to Php16,601.26

In compliance with the provisions of the Club's By-laws, the Trust Fund is placed in a short-term investment in a universal bank with an interest rate of 4.36% (net) p.a.

SPORTS & GAMES COMMITTEE

For this fiscal year, the Sports and Games Committee of VGCC has focused its efforts in the management of the club tournaments. To encourage members' participation, the Committee went all out in ensuring that the tournaments were exciting, attractive and of course, fun. And our efforts were not in vain, for all of these tournaments have achieved the Committee's primary objective of bolstering fellowship and camaraderie among its members.

This was most evident in the recently concluded 20th Don Celso Tuason and Valley Founders' Cup (DCT). With a record-breaking 276 member teams and 107 sponsors' teams that entered in the tournament, the DCT Cup has been a testament to the revitalized enthusiasm of our members.

Such enthusiasm was evident way before the tournament day, which helped attract our targeted sponsors, whose contributions had allowed us to give the best possible raffle prizes and giveaways to all of the participants. Raffle prizes and giveaways amounted to Php7.43 Million; hole-in-one (HIO) prizes (which were at stake in all of the par 3s) ranged from fancy golf clubs, golf carts and a motorbike to the enviable Mercedes-Benz sedan, with cash prizes in varying amounts in between them.

The tournament's first day kicked off at a high note, when Jonathan Salcedo hit a hole-in-one, for which he received a much coveted complete set of Maruman golf clubs; while the last day ended with a bang, as the Committee's raffled-off Mercedes-Benz CLA 180 was won by no less than VGCC member, Luis Reyes Jr.

The Committee had perceived the DCT Cup to be our way of reciprocating the support of our golfing friends from other golf clubs, who similarly invite us to participate in their own member-guest tournaments.

The funds generated in the 20th DCT Cup has allowed us to allocate more prizes in succeeding club tournaments, which totaled seven (7) for this fiscal year, namely: 1) The 62nd Intra-club Tournament, Chairman-Louie Quiogue (234 players); 2) The 63rd Intra-club Tournament, Chairman, Carlo Carpio (276 players); 3) The Club Championships, Chairman-Chino Raymundo (122 players); 4) The 20th Don Celso Tuason & Valley Founders' Cup, Chairman- Atty. Pete Maniego (766 players); 5) The Semi-Annual Tournament, Chairman- Deni Cuayo (206 players); 6) The Barkadahan, Chairman- Pete Maniego (417 players); and 7) The Presidents' and Directors' Tournament, Chairman- yours truly, Atty. Jeremy Z. Parulan (250 players).

The Sports and Games Committee, with all of its members and staff, would like to express their most immense gratitude for your support and cooperation.

Valley Golf & Country Club, Inc.

(A Nonprofit Organization)

Financial Statements
June 30, 2019 and 2018
and Years Ended June 30, 2019, 2018
and 2017

and

Independent Auditor's Report

SGV

Building a better
working world

A member firm of Ernst & Young Global Limited

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

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 Members and the Board of Directors
Valley Golf & Country Club, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Valley Golf & Country Club, Inc. (a nonprofit organization) (the Club), which comprise the statements of financial position as at June 30, 2019 and 2018, and the statements of income, statements of comprehensive income, statements of changes in members' equity and statements of cash flows for each of the three years in the period ended June 30, 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Club as at June 30, 2019 and 2018, and its financial performance and its cash flows for each of the three years in the period ended June 30, 2019 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Club in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

SGV

Building a better working world

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 30 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Valley Golf & Country Club, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Peter John R. Ventura

Peter John R. Ventura
Partner
CPA Certificate No. 0113172
SEC Accreditation No. 1735-A (Group A),
January 15, 2019, valid until January 14, 2022
Tax Identification No. 301-106-741
BIR Accreditation No. 08-001998-140-2018,
December 17, 2018, valid until December 16, 2021
PTR No. 7332625, January 3, 2019, Makati City

August 17, 2019

VALLEY GOLF & COUNTRY CLUB, INC.
(A Nonprofit Organization)

STATEMENTS OF FINANCIAL POSITION

	June 30	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱46,752,642**	₱44,044,150
Trade and other receivables (Note 5)	**14,049,761**	11,865,726
Other current assets (Note 6)	**9,688,312**	7,285,053
Total Current Assets	**70,490,715**	63,194,929
Noncurrent Assets		
Property and equipment (Note 7)	**233,177,487**	226,576,571
Investment properties (Note 8)	**2,911,947**	5,580,860
Trust fund (Note 9)	**4,773,793**	4,611,154
Deferred tax assets - net (Note 25)	**979,605**	2,203,249
Other noncurrent assets (Note 10)	**863,123**	874,372
Total Noncurrent Assets	**242,705,955**	239,846,206
TOTAL ASSETS	**₱313,196,670**	₱303,041,135
LIABILITIES AND MEMBERS' EQUITY		
Current Liabilities		
Trade and other payables (Note 11)	**₱24,514,832**	₱17,735,086
Members' deposits and others (Note 12)	**13,547,957**	11,884,375
Contract liabilities (Notes 2 and 13)	**6,755,189**	–
Membership dues paid in advance (Notes 2 and 13)	**–**	5,550,200
Accrued provision for probable claims (Note 15)	**1,019,740**	1,019,740
Payable to a contractor (Note 14)	**–**	4,523,504
Total Current Liabilities	**45,837,718**	40,712,905
Noncurrent Liabilities		
Retirement benefit obligation (Note 27)	**3,645,579**	5,189,476
Deferred tax liability (Note 25)	**–**	1,043,041
Other noncurrent liability (Note 21)	**164,702**	178,428
Total Noncurrent Liabilities	**3,810,281**	6,410,945
Total Liabilities	**49,647,999**	47,123,850
Members' Equity		
Capital stock (Note 16)	**14,346,000**	14,346,000
Contributions in excess of par value	**201,627,772**	201,627,772
Accumulated excess of revenues over expenses (Note 16)	**47,574,899**	39,943,513
Total Members' Equity	**263,548,671**	255,917,285
TOTAL LIABILITIES AND MEMBERS' EQUITY	**₱313,196,670**	₱303,041,135

See accompanying Notes to Financial Statements.

VALLEY GOLF & COUNTRY CLUB, INC.
(A Nonprofit Organization)

STATEMENTS OF INCOME

	Years Ended June 30		
	2019	2018	2017
REVENUES			
Revenue from contracts with customers (Note 17)	**₱135,105,293**	₱–	₱–
Rentals (Note 21)	**15,945,144**	13,886,742	10,497,115
Interest income (Notes 4 and 9)	**806,196**	507,362	186,938
Members' dues	–	52,394,200	52,357,321
Green fees (Note 19)	–	22,220,657	17,552,394
Assessment for road maintenance	–	11,920,146	8,912,059
Transfer fees	–	5,810,000	4,420,000
Concessionaires' fees (Note 20)	–	5,155,832	3,278,756
Patronage fees	–	3,657,382	4,092,120
Service charge on playing guests	–	2,872,531	2,589,069
Miscellaneous income (Notes 17 and 19)	–	12,599,970	5,818,579
	151,856,633	131,024,822	109,704,351
COST AND EXPENSES			
Cost of services (Note 22)	**123,749,600**	102,378,411	91,548,412
General and administrative (Note 23)	**19,877,359**	15,984,655	18,145,003
	143,626,959	118,363,066	109,693,415
EXCESS OF REVENUES OVER EXPENSES BEFORE INCOME TAXES	**8,229,674**	12,661,756	10,936
PROVISION FOR INCOME TAXES (Note 25)	**1,264,110**	479,366	1,667,736
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	**₱6,965,564**	₱12,182,390	(₱1,656,800)

See accompanying Notes to Financial Statements.

VALLEY GOLF & COUNTRY CLUB, INC.
(A Nonprofit Organization)

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended June 30		
	2019	2018	2017
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	**₱6,965,564**	₱12,182,390	(₱1,656,800)
OTHER COMPREHENSIVE INCOME (LOSS)			
Item not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gains (losses) on defined benefit obligation (Note 27)	**951,175**	(97,117)	6,315,776
Income tax effect	**(285,353)**	29,135	(984,814)
	665,822	(67,982)	5,330,962
TOTAL COMPREHENSIVE INCOME	**₱7,631,386**	₱12,114,408	₱3,674,162

See accompanying Notes to Financial Statements.

VALLEY GOLF & COUNTRY CLUB, INC.
(A Nonprofit Organization)

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

	Years Ended June 30		
	2019	2018	2017
CAPITAL STOCK (Note 16)			
Issued and outstanding:			
Balance at beginning of year	**₱14,346,000**	₱14,337,000	₱14,337,000
Issuance of shares	–	9,000	–
Balance at end of year	**14,346,000**	14,346,000	14,337,000
CONTRIBUTIONS IN EXCESS OF PAR VALUE			
Balance at beginning of year	**201,627,772**	201,403,972	201,403,972
Premium on shares issued	–	223,800	–
Balance at end of year	**201,627,772**	201,627,772	201,403,972
ACCUMULATED EXCESS OF REVENUES OVER EXPENSES (Note 16)			
Balances at beginning of year	**39,943,513**	27,829,105	24,154,943
Excess (deficiency) of revenues over expenses	**6,965,564**	12,182,390	(1,656,800)
Re-measurement gains (losses) on defined benefit obligation - net of tax	**665,822**	(67,982)	5,330,962
Total comprehensive income	**7,631,386**	12,114,408	3,674,162
Balance at end of year	**47,574,899**	39,943,513	27,829,105
TOTAL MEMBERS' EQUITY	**₱263,548,671**	₱255,917,285	₱243,570,077

See accompanying Notes to Financial Statements.

VALLEY GOLF & COUNTRY CLUB, INC.
(A Nonprofit Organization)
STATEMENTS OF CASH FLOWS

	Years Ended June 30		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenues over expenses before income taxes	**₱8,229,674**	₱12,661,756	₱10,936
Adjustments for:			
Depreciation and amortization (Notes 22 and 23)	**21,978,752**	18,194,589	17,068,096
Gain on sale of property and equipment and investment properties (Notes 7, 8, and 17)	**(7,442,159)**	(7,020,564)	(361,202)
Interest income (Notes 4 and 9)	**(806,196)**	(507,362)	(186,938)
Movement in retirement benefit obligation	**(592,722)**	(594,571)	(220,141)
Reversal of inventory obsolescence (Note 6)	**(55,483)**	–	
Interest expense (Note 23)	**10,081**	49,808	213,869
Provision for impairment losses on receivables	**(7,067)**	–	–
Loss on write-off of:			
Property and equipment	**–**	4,482	87,448
Inventory (Note 22)	**–**	–	12,724
Transfer fee on issuance of share	**–**	(60,000)	–
Operating income before working capital changes	**21,314,880**	22,728,138	16,624,792
Decrease (increase) in:			
Other current assets	**(3,716,636)**	(2,648,305)	130,894
Trade and other receivables	**(2,093,772)**	1,722,954	(3,047,097)
Increase (decrease) in:			
Trade and other payables	**6,779,746**	3,677,173	3,770,497
Members' deposits and others	**1,663,582**	2,176,361	2,137,521
Contract liabilities	**1,204,989**	–	–
Membership dues paid in advance	**–**	329,400	407,914
Payable to contractor	**(4,523,504)**	–	–
Net cash generated from operations	**20,629,285**	27,985,721	20,024,521
Interest received	**709,274**	653,631	117,017
Interest paid	**(10,081)**	(49,808)	(213,869)
Net cash flows generated from operating activities	**21,328,478**	28,589,544	19,927,669
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
Property and equipment (Note 7)	**3,100,000**	2,375,000	417,000
Investment property (Note 8)	**4,357,682**	5,300,000	–
Additions to property and equipment (Notes 7 and 29)	**(25,794,656)**	(16,198,106)	(17,725,129)
Decrease (increase) in:			
Other noncurrent assets	**(120,373)**	2,325,635	(147,988)
Trust fund	**(162,639)**	(319,104)	(29,555)
Net cash flows used in investing activities	**(18,619,986)**	(6,516,575)	(17,485,672)
CASH FLOWS FROM A FINANCING ACTIVITY			
Payments of short-term loans	**–**	–	(2,500,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,708,492**	22,072,969	(58,003)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**44,044,150**	21,971,181	22,029,184
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱46,752,642**	₱44,044,150	₱21,971,181

See accompanying Notes to Financial Statements.

1. Corporate Information

Valley Golf & Country Club, Inc. (the Club) was organized in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on May 14, 1958 as a nonprofit organization for a term of 50 years up to 2008. The Club's corporate life was extended for another 50 years from May 15, 2008 as confirmed and ratified by the stockholders on November 18, 2007 and was subsequently approved by the SEC on April 29, 2008. On July 17, 1963, the SEC granted the Club a secondary license to sell its securities to the public.

The primary purpose of the Club is to foster and promote the game of golf and operate and maintain a golf course and country club and, generally, to do and perform all such acts and things, and exercise such powers as are ordinarily done, performed and exercised by social and athletic clubs and associations.

Prior to 2012, the Club is exempt from payment of income tax on income received from social, recreational, and athletic activities on a nonprofit basis provided that no part of the Club's income shall inure to the benefit of any of its members, trustees and officers. Under Section 30 (E) of the Tax Reform Act of 1997, an organization organized for recreational, sports and athletic activities shall be exempt from payment of income tax on income received from aforementioned activities.

On August 3, 2012, the Bureau of Internal Revenue (BIR) issued Revenue Memorandum Circular (RMC) No. 35-2012 clarifying that clubs organized and operated exclusively for pleasure, recreation and other non-profit purposes are subject to income tax and value-added tax (VAT) on their income from whatever source, including but not limited to membership fees, assessment dues, rental income, and service fees.

On August 13, 2019, the Supreme Court declared that membership fees, assessment dues, and fees of similar nature collected by Clubs which are organized and operated exclusively for pleasure, recreation, and other nonprofit purposes do not constitute as: (a) "the income of recreational clubs form whatever source" that are "subject to income tax"; and (b) part of the "gross receipts of recreational clubs" that are "subject to VAT". Accordingly, RMC No. 35-2012 should be interpreted in this accordance with the decision. The Club is currently assessing the implications of the Supreme Court ruling.

The registered office of the Club, which is also its principal place of business, is located at Don Celso S. Tuason Ave., Antipolo City.

The Club's Board of Directors (BOD) approved the issuance of the financial statements on August 17, 2019.

2. Summary of Significant Accounting Policies

Basis of Preparation

The financial statements of the Club have been prepared under the historical cost basis and are presented in Philippine peso (₱), the Club's functional currency. All values are rounded to the nearest Philippine peso, except as otherwise indicated.

Statement of Compliance
The financial statements of the Club have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Club has adopted the following new accounting pronouncements starting July 1, 2018. Adoption of these pronouncements did not have any significant impact on the Club's financial position or performance unless otherwise indicated.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9 with PFRS 4*

- Amendments to PAS 28, *Investments in Associates and Joint Ventures, Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

  Since the Club's current practice is in line with the clarifications issued, the Club does not expect any effect on its financial statements upon adoption of these amendments.

- PFRS 9, *Financial Instruments*
  PFRS 9 replaces Philippine Accounting Standard (PAS) 39, *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

  The Club applied PFRS 9 prospectively, with an initial application date of July 1, 2018. The Club has not restated the comparative information, which continues to be reported under PAS 39. Differences arising from the adoption of PFRS 9 have been recognized directly in retained earnings and other components of equity.

  The effects of adopting PFRS 9 as at July 1, 2018 are as follows:

  a. Classification and measurement

  Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortized cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Club's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (SPPI) on the principal amount outstanding.

The assessment of the Club's business model was made as of the date of initial application, July 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of PFRS 9 did not have a significant impact to the Club. Cash in banks and cash equivalents, trade and other receivables and trust fund previously classified as loans and receivables as at June 30, 2018 are held to collect contractual cash flows and give rise to cash flows representing SPPI. These are classified and measured as debt instruments at amortized cost beginning July 1, 2018.

The Club has not designated any financial liabilities as at FVTPL. There are no changes in classification and measurement for the Club's financial liabilities.

In summary, upon the adoption of PFRS 9, the Club had the following required or elected reclassifications as at July 1, 2018.

		PFRS 9 measurement Category
	Amount	**Amortized cost**
PAS 39 measurement category		
Loans and receivables		
Cash in banks and cash equivalents	₱43,949,150	₱43,949,150
Trade and other receivables	11,865,726	11,865,726
Trust fund	4,611,154	4,611,154
	₱60,426,030	**₱60,426,030**

b. *Impairment*

The adoption of PFRS 9 has fundamentally changed the Club's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Club to recognize an allowance for ECLs for all debt instruments not held at FVTPL and contract assets.

Upon adoption of PFRS 9, impairment losses did not have significant impact on the carrying amounts of the Club's cash in banks and cash equivalents, trade and other receivables, and trust fund as at July 1, 2018.

c. *Hedge accounting*

The Club has no existing hedge relationships as at June 30, 2018, thus will not have an impact on the financial statements of the Club.

- PFRS 15, *Revenue from Contracts with Customers*
PFRS 15 supersedes, PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Club adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of July 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Club elected to apply the standard to all contracts as at July 1, 2018.

The cumulative effect of initially applying PFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under PAS 18 and related Interpretations.

The effect of adopting PFRS 15 as of July 1, 2018 are as follows:

Statement of financial position

	As of June 30, 2018	Adjustments	As of July 1, 2018
Current Liabilities			
Membership dues paid in advance	₱5,550,200	(₱5,550,200)	₱–
Trade and other payables	697,338	(697,338)	–
Contract liabilities	–	6,247,538	6,247,538

The adoption of PFRS 15 did have not have a significant impact on the timing and recognition of revenue.

The nature of the adjustment as at July 1, 2018 and the reason for the change in presentation in the statement of financial position as at June 30, 2019 is that before adoption of PFRS 15, the Club recognized unearned income from the advance payments made by the members as part of "Membership dues paid in advance" and "Trade and other payables" accounts. Under PFRS 15, these advance payments qualify as "Contract liabilities" since the Club has an obligation to transfer goods or services to its members from which the Club has received a consideration.

Standards and Interpretations Issued but not yet Effective

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

Effective beginning on or after July 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
  Under PFRS 9, a debt instrument can be measured at amortized cost or at FVOCI, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from

January 1, 2019, with earlier application permitted. These amendments have no impact on the financial statements of the Club.

- PFRS 16, *Leases*
  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  The Club is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income (OCI).

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Club.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28.

  The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Club does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its financial statements.

- Philippine Interpretation IFRIC-23, Uncertainty over Income Tax Treatments
  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, Income Taxes, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  The Club is currently assessing the impact of adopting the interpretation.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Club but may apply to future transactions.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, OCI or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not applicable to the Club.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  Since the Club's current practice is in line with these amendments, the Club does not expect any effect on its financial statements upon adoption.

Effective beginning on or after July 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  These amendments will apply on future business combinations of the Club.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*
  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted. PFRS 17 is not relevant to the Club.

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 amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

  Amendments to this standard will have no impact on the Club's financial position or performance since it has no investments in an associate or joint venture.

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

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or
- Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Club classifies all other liabilities as noncurrent.

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

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to insignificant risk of changes in value.

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.

Accounting policies on the classification and measurement and impairment of financial assets applied before July 1, 2018

Initial Recognition and Measurement of Financial Assets
Financial assets in the scope of PAS 39, are classified as either financial assets at FVTPL, loans and receivables, held-to-maturity (HTM) investments or available-for-sale (AFS) financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at FVTPL, directly attributable transaction costs. The Club determines the classification of its financial assets upon initial recognition and, where allowed and appropriate, re-evaluates this designation at each year-end date.

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

The Club's financial assets are in the nature of loans and receivables. As at June 30, 2018, the Club does not have financial assets at FVTPL, AFS financial assets, and HTM investments.

Subsequent Measurement of Financial Assets
The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate (EIR) method, less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are integral part of the EIR and transaction costs. Gains and losses are recognized in the statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

This accounting policy applies to the Club's cash and cash equivalents, trade and other receivables and trust fund (see Notes 4, 5, and 9).

Impairment of Financial Assets
The Club assesses at each end of the reporting period whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost
The Club first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Club determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of income. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The assets together with the associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of income to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Accounting policies on the classification and measurement and impairment of financial assets applied on or after July 1, 2018

Initial Recognition and Measurement of Financial Assets
Financial assets are measured at fair value on initial recognition, and are subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and FVTPL.

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

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

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

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

The Club's financial assets are in the nature of financial assets at amortized cost. As at June 30, 2019 the Club has no financial assets classified as FVOCI and FVTPL.

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

- Financial assets at amortized cost (debt instruments)
- Financial assets at 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 FVTPL

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

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

Financial assets at amortized cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognized in the statement of income when the asset is derecognized, modified or impaired.

The Club's financial assets at amortized cost includes cash and cash equivalents, trade and other receivables, short-term investments under "Other current assets" and trust fund (see Notes 4, 5, 6, and 9).

Impairment of Financial Assets

The Club recognizes an allowance for ECLs for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Club expects to receive, discounted at an approximation of the original 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).

For cash in banks and cash equivalents, short-term deposits under "Other currents assets" account and trust fund, the Club applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Club's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

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

Definition of default

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

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

Irrespective of the above analysis, the Club considers that default has occurred when a financial asset is more than 45 days past due unless the Club has reasonable and supportable information to demonstrate that a more conservative default criterion is more appropriate.

Credit-impaired financial assets

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

a) significant financial difficulty of the issuer or the borrower;
b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having
d) granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
e) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
f) the disappearance of an active market for that financial asset because of financial difficulties.

The Club implements a policy on its receivables, wherein members in the delinquent list or those with accounts that are past due for a certain period are reported to the BOD. The respective shares of the members or of the juridical entities they represent shall be ordered sold by the BOD, through an auction, to satisfy the claims of the Club.

Write-off policy
The Club writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Club's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized the statement of income.

<u>Derecognition of Financial Assets</u>
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

Where the Club has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Club's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Club could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Club's continuing involvement is the amount of the transferred asset that the Club may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Club's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Liabilities
<u>Initial Recognition and Measurement of Financial Liabilities</u>
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivative designated as hedging instruments in an effective hedge, as appropriate.

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

The Club has no financial liabilities at FVTPL and derivative instruments as at June 30, 2019 and 2018.

Subsequent Measurement of Financial Liabilities

Loans and borrowings and Payables

This is the category most relevant to the Club. After initial recognition, loans and borrowings and payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the statement of income when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss.

This category applies to trade and other payables, members' deposit and others, and payable to a contractor (see Notes 11, 12 and 14).

Derecognition of Financial Liabilities

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

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the 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 asset and settle the liability simultaneously. The Club assesses that it has 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 Club and all of the counterparties.

Fair Value

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

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

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

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

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

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

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

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

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

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

Inventories

Inventories consist of gasoline, maintenance supplies, spare parts, office supplies and others. Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing each product to its present location and condition are accounted for using the first-in, first-out method.

NRV of the saleable merchandise is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. NRV of gasoline, maintenance supplies, spare parts and others is the estimated replacement costs. In determining NRV, the Club considers any adjustment necessary for spoilage, breakage and obsolescence. An allowance for inventory obsolescence is determined based on a regular review and management evaluation of movement and condition of supplies.

Property and Equipment

Property and equipment, except for land, are stated at cost less accumulated depreciation and any impairment losses, if any. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties, non-refundable taxes, and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when the recognition criteria are met. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are normally charged to the statement of income in the period when the costs are incurred.

In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment. The carrying amount of the replaced part regardless of whether the replaced part had been depreciated separately is derecognized if an entity recognizes in the carrying amount of an item of property and equipment the cost of a replacement for part of the item. If it is not practicable for an entity to determine the carrying amount of the replaced part, it may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or constructed.

When each major inspection is performed, its cost is recognized in the carrying amount of the item of property and equipment as a replacement if the recognition criteria are satisfied.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

Depreciation is computed on a straight-line basis over the following estimated useful lives of the assets:

Category	Number of Years
Land improvements	3-50
Building and structures	5-50
Ground tools and services machinery and equipment	3-10
Furniture, fixtures and equipment	3-10
Transportation equipment	5

Construction in progress is stated at cost. Depreciation is computed when the construction is completed.

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

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any allowance for impairment loss are removed from the accounts and any resulting gain or loss is credited to or charged against current operations. Impairment losses of items of property and equipment, related claims for or payments of compensation from third parties and any subsequent purchase or construction of replacement assets are separate economic events and are accounted for separately.

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 from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognized.

Investment Properties
Investment property, which consists of land and building held for rentals or capital appreciation or both. Except for land, investment property is stated at cost less accumulated depreciation and impairment in value for building. The cost of the investment property comprises its purchase price and other direct costs. Depreciation on the building is computed on a straight-line basis over the estimated useful life of 20 years. Land is stated at cost less any accumulated impairment.

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction of development. Transfers are made from investment property when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. These transfers are recorded using the carrying amount of the investment property at the date of the change in use.

Gains or losses resulting from the sale of an investment property are recognized in statement of income.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the statement of income in the year of retirement or disposal.

Computer Software
Computer software included as part of "Other noncurrent assets" is initially recognized at cost. Following initial recognition, computer software is carried at cost, less accumulated amortization and any accumulated impairment in value.

Computer software is amortized on a straight-line basis over its estimated useful economic life of three (3) years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the computer software is available for use. The period and method of amortization for the computer software are reviewed at each end of the reporting period. Changes in the estimated useful life is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense is recognized in the statement of income in the expense category consistent with the function of the computer software.

Impairment of Property and Equipment, Investment Properties and Computer Software
The Club assesses at each reporting date whether there is an indication that a nonfinancial asset may be impaired. If any such indication exists, or when annual impairment testing for a nonfinancial asset is required, the Club makes a formal estimate of recoverable amount. The nonfinancial asset's estimated recoverable amount is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other nonfinancial assets or group of nonfinancial assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs. Where the carrying amount of the nonfinancial asset exceeds its estimated recoverable amount, the nonfinancial asset is considered impaired and is written down to its estimated recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the nonfinancial asset. Fair value less costs to sell is the amount obtainable from the sale of the nonfinancial asset or cash-generating unit in an arm's-length transaction, adjusted for incremental costs that would be directly attributable to the disposal of the nonfinancial asset.

Impairment losses of continuing operations are recognized in the statements of income in those expense categories consistent with the function of the impaired nonfinancial asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the nonfinancial asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its estimated recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income.

Capital Stock
Capital stock is determined using the nominal value shares that have been issued. When the Club issues more than one class of stock, a separate account is maintained for each class of stock and number of shares issued.

Contribution in Excess of Par Value
Amount of contribution in excess of par value is accounted for as an additional paid-in capital. Additional paid-in capital also arises from additional capital contribution from the members.

Accumulated Excess of Revenue Over Expenses
Accumulated excess of revenue over expenses represents accumulated net profits (losses).

Revenue Recognition (*prior to adoption of PFRS 15*)
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Club and the amount of revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, and other sales taxes or duties. The Club has generally concluded that it is the principal in its revenue arrangements, except for the concessionaire services, because it typically controls the goods or services before transferring them to the customer.

The following specific recognition criteria must also be met before revenue is recognized:

Membership Dues
Members' dues are recognized monthly as the fees become due. Any advance payments for membership dues are recognized as a liability and credited to "Membership dues paid in advance" account in the statement of financial position.

Green Fees
Green fees are income generated from use of the golf course by member's guest and walk-in customers.

Assessment for Road Maintenance
Assessment for road maintenance is income generated from the use of the Club's main road, Don Celso S. Tuason Avenue. Revenues from road usage is recognized upon the sale of car stickers and tickets.

Rentals and Concessionaires' Fees
Rentals and concessionaires' fees are recognized when the service is rendered in accordance with the terms of the agreements entered into by the Club.

Transfer Fees
Transfer fees are recognized when the shares of stocks have been transferred.

Patronage Fees
Patronage fees are consumables that members are entitled to for the consumption of food provided by the Club's concessionaire. These are recognized monthly as the fees expire.

Service Charge on Playing Guests
Service charges on playing guests are transaction fees or cash requirements in order to process the Club's playing rights to outside individuals. These are recognized when the service is rendered.

Golf Cart Storage
Golf cart storage is income generated from the safekeeping and storage of member's golf carts.

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

Miscellaneous Income
Miscellaneous income are recognized as the earning process occurs and collection is reasonably assured.

Revenue Recognition (*upon adoption of PFRS 15*)
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Club expects to be entitled in exchange for those goods or services. The Club has generally concluded that it is the principal in its revenue arrangements, except for the concessionaire services, because it typically controls the goods or services before transferring them to the customer.

The following are the Club's performance obligations:

Membership Dues
Membership dues pertains to monthly member's dues and administration fee charged to the Club's members and past Club presidents, respectively. Revenues are recognized over time when membership dues are due and demandable, net of any discount. Any advance payments are recorded under "Contract liabilities" account in the statement of financial position.

(i) Variable Consideration

a. Discount on annual dues are provided to the members when they pay the annual dues in advance. The discount is equivalent to one-month membership dues and is presented as a reduction to the revenue recognized.
b. Discount on prompt payments are provided to members when they pay their account balance in full within one month after billing. To estimate the variable consideration for the expected discount on prompt payments, the Club applies the most likely amount.

Sports and Recreation
Sports and recreation pertains to fees charged for use of the Club's golf and swimming pool facilities. This also includes the service fee charged for every play of golf. Revenues are recognized overtime when the related services have been rendered.

(i) Variable Consideration

a. Discount on green fees are provided to guests when they purchase coupons which may be redeemed at a later date. Upon redemption, the green fee revenue recognized is net of the discount.

Assessment for Road Maintenance
Assessment for road maintenance is income generated from the use of the Club's main road, Don Celso S. Tuason Avenue. Revenues are recognized overtime when the related services have been rendered.

Corporate Services
Corporate services pertain to fees charged by the Club for processing members transactions. This includes transfer fees and service charge on playing guests. Transfer fees are transaction fees for transfers of members shares of stocks. Service charges on playing guests are transaction fees or cash requirements in order to process the Club's playing rights to outside individuals. Revenues are recognized overtime when the related services have been rendered.

Concession Fees
Concession fees pertains to a fee charged by the Club to its concessionaires in exchange for the right granted to the later to render food and beverage services and sale of goods to its members and guests. The amount of the commission income is based on the terms of the concessionaires' agreements. The

Club acts as an agent on its concession agreements since it does not have control over the specified goods or services that will be delivered by the concessionaires to the Club's members and guests. Revenues are recognized at a point in time when the concessionaire has delivered the goods to the members and guests and the related services have been rendered.

Revenue from Special Events
Revenue from special events pertains to fees charged for golf tournaments and Club's social events. Revenue is recognized overtime upon occurrence of the event.

Patronage Fees
Patronage fees are consumables that members are entitled to for the consumption of food provided by the Club's concessionaire. Revenue are recognized overtime upon determination of the expired and unconsumed portion of the minimum required purchase of food and beverage, subject to the Club's policy. Any advance payments are recorded under "Contract liabilities" account in the statement of financial position.

Sale of Properties
Revenue from sale of properties are recognized at the point in time when control of the asset is transferred to the customer. The Club considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of properties, the Club considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Surcharge on Past Due Accounts
Surcharge on past due accounts are penalties charged to members with delinquent accounts for over 45 days from the statement or cut-off date of the later statement of account until the account is paid in full. Revenues are recognized at a point in time upon collection of the amount charged to the member for delayed payment.

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

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

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

<u>Cost and Expenses</u>
Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decreases of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Cost and expenses are recognized when incurred.

Cost of Services
Costs of services are recognized when related services have been rendered.

General and Administration
Expenses incurred in the direction and general administration of day-to-day operation of the Club are generally recognized when the service is used or the expense arises.

Leases
Determination of Whether an Arrangement Contains a Lease
The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) There is a substantial change to the asset.

When a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances give rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Club as a Lessor
Leases where the Club does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenues in the period in which they are earned.

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

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

Defined benefit costs 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 statement of income. 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 statement of income.

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 statement of income 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 Club, nor can they be paid directly to the Club. 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). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Club'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.

<u>Income Taxes</u>
Current Income Tax
Current income tax assets and liabilities for the current and the prior period are measured at the amount expected to be recovered from or paid to the taxation authority. The income tax rates and income tax laws used to compute the amount are those that are enacted or substantively enacted at the end of each financial reporting period.

Deferred Tax
Deferred tax is provided using the balance sheet liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or loss.

Deferred tax assets are recognized for all deductible temporary differences, and the carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) 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 the carryforward benefits of unused tax credits and unused tax losses can be utilized except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or loss.

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

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

The Club offsets deferred tax assets and deferred tax liabilities if and only if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Value-added Tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

Provisions
Provisions are recognized when the Club has a present obligation (legal and constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are made by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Where the Club expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement.

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

Events After the Reporting Date
Post year-end events that provide additional information about the Club's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation and fair presentation of the accompanying financial statements in compliance with PFRSs requires management to make judgments and estimates that affect the amounts reported in the financial statements and the accompanying notes. The judgments and estimates used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the financial statements. Future event may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimate are reflected in the financial statements as they become reasonably determinable. Actual results could differ from such estimates.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstance.

Judgments
In the process of applying the Club's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognized in the financial statements:

Revenue from contracts with customers
The Club applied the following judgement that significantly affect the determination of the amount of revenue from contracts with customers:

- *Principal versus agent considerations*
  The Club enters into contracts with its concessionaires to perform, on their behalf, sale of goods and services to its members. The Club determined that it does not control the goods before they are transferred to customers. The following factors indicate that the Club does not control the goods before they are being transferred to customers. Therefore, the Club determined that it is an agent in these contracts.
  - The Club is not primarily responsible for fulfilling the promise to provide the goods or services.
  - The Club's revenue is in the form of a fixed commission income as established in the concession contract with the concessionaires.
  - The Club does not have inventory risk before or after the goods has been transferred to the customer.
  - The Club has no discretion in establishing the price for the goods and services.

Operating Lease - Club as Lessor
The Club has entered into commercial property leases. The Club determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of the properties, thus the leases are accounted for as operating leases.

Rental income pertaining to these leases for the years ended June 30, 2019, 2018 and 2017 amounted to ₱15.9 million, ₱13.9 million, and ₱10.5 million, respectively (see Note 21).

Estimations and Assumptions

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

Estimating Allowance for Impairment Losses on Trade and Other Receivables (prior to adoption of PFRS 9)

The Club maintains an allowance for impairment losses on receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the Club on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Club's relationship with members and debtors, their payment behavior and known market factors. The Club reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a continuous basis.

The carrying value of trade and other receivables amounted to ₱11.9 million as at June 30, 2018. Allowance for impairment losses amounted to ₱1.8 million as at June 30, 2018 (see Note 5).

Estimation of Provision for ECLs of Trade and Other Receivables (upon adoption of PFRS 9)

The Club uses a provision matrix to calculate ECLs for its trade and other receivables. The provision rates are based on days past due of each member that have similar loss pattern. The provision matrix is initially based on the Club's historical observed default rates. The Club calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions expected to deteriorate over the next year which can lead to an increased number of defaults in its members, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Club's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Receivables from members that are considered as delinquent for a certain period and the amount due the club has exceeded the credit limit of members as maybe fixed by the BOD from time to time shall be reported to the BOD and their shares of the juridical entities they represent shall thereafter be ordered sold by the BOD at auction to satisfy the claims of the Club as stated in the By-laws. It shall be absolutely prohibited to auction the share of a member whose overdue/delinquent account does not exceed such member's credit limit. As approved by the BOD, the members' credit limit shall be fixed at ₱50 thousand. A member may pay the overdue account at any time before the auction sale.

The carrying value of trade and other receivables amounted to ₱14.0 million as at June 30, 2019. Allowance for ECL amounted to ₱1.8 million as at June 30, 2019 (see Note 5).

Estimation of Useful Lives of Property and Equipment and Investment Properties

The Club estimates the useful lives of property and equipment and investment properties based on the period over which the Club's property and equipment and investment properties are expected to be available for use. The estimated useful lives of property and equipment and investment properties are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of these assets. In addition, the Club's estimation of the useful lives of property and equipment and investment properties are based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible that the future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above.

As of June 30, 2019, and 2018, there were no changes made in the estimated useful lives of the Club's property and equipment and investment properties. The carrying amount of property and equipment as of June 30, 2019 and 2018 amounted to ₱233.2 million and ₱226.6 million, respectively (see Note 7). The carrying amount of investment properties as of June 30, 2019 and 2018 amounted to ₱2.9 million and ₱5.6 million, respectively (see Note 8).

Determining Retirement Benefit Costs
The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuation. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, turnover rate and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as at end of the reporting periods.

The mortality rate is based on publicly available mortality tables and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the Philippines.

Retirement benefit obligation amounted to ₱3.6 million and ₱5.2 million as of June 30, 2019 and 2018, respectively (see Note 27).

Assessing Recoverability of Deferred Tax Assets
The Club reviews the carrying amounts of deferred tax assets at each reporting date and reduced the amounts to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Club can generate sufficient taxable profit to allow all or part of its deferred taxable assets to be utilized.

As of June 30, 2019 and 2018, the Club's deferred tax assets amounted to ₱2.4 million and ₱2.2 million, respectively (see Note 25).

Temporary deductible differences for which no deferred tax asset was recognized amounted to ₱10.4 million and ₱11.8 million as of June 30, 2019 and 2018, respectively (see Note 25).

Provision and Contingencies
The Club is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with its counsel handling the defense in these matters and is based upon an analysis of potential results. In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Club's financial position and results of operations. It is possible, however, that the future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

The Club has accrued provision for probable claims amounting to ₱1.0 million as of June 30, 2019 and 2018 (see Note 15).

4. Cash and Cash Equivalents

	2019	2018
Cash on hand	**₱683,475**	₱95,000
Cash in banks	**23,516,221**	17,185,694
Cash equivalents	**22,552,946**	26,763,456
	₱46,752,642	₱44,044,150

Cash on hand consists of fund for daily operating expenses and undeposited collections. Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short term deposits made for varying periods of up to three (3) months and earns interest at the respective short-term deposit rates.

Interest income earned amounted to ₱0.8 million, ₱0.5 million and ₱0.2 million in 2019, 2018 and 2017, respectively.

5. Trade and Other Receivables

	2019	2018
Members	**₱12,624,960**	₱10,792,011
Others	**3,211,700**	2,867,681
	15,836,660	13,659,692
Less allowance for ECL/impairment losses	**1,786,899**	1,793,966
	₱14,049,761	₱11,865,726

Receivables from members, which are due 30 days after billing date, are noninterest-bearing and constitute a lien on the members' shares.

Other receivables consist mainly of the share of the homeowners for the security services and electricity of the access roads around the Club, advances made to officers and employees and receivables from concessionaires and various organizations which are settled within 30-90 days' term.

As of June 30, 2019 and 2018, the aging analysis of trade and other receivables are as follows:

	2019	2018
Not more than 30 days outstanding	**₱8,167,851**	₱2,869,660
Beyond 30 days outstanding:		
31-60 days	**2,378,158**	4,194,933
61-90 days	**961,631**	1,740,614
Over 90 days	**4,329,020**	4,854,485
	₱15,836,660	₱13,659,692

The movements in allowance for ECL/allowance for impairment loss are as follows:

	2019	2018
Balances at beginning of year	**₱1,793,966**	₱1,793,966
Provision (Note 23)	**4,066**	–
Write-off	**(11,133)**	–
Balances at end of year	**₱1,786,899**	₱1,793,966

6. Other Current Assets

	2019	2018
Supplies inventory at NRV	**₱4,162,305**	₱3,126,119
Prepayments	**2,645,648**	2,303,144
Short-term investments	**666,224**	–
Creditable withholding tax (CWT)	**494,211**	812,920
Others	**1,719,924**	1,042,870
	₱9,688,312	₱7,285,053

Supplies inventory include gasoline and oil stocks, grounds materials, office, shop and maintenance supplies and construction materials.

As of June 30, 2019 and 2018, the balance of supplies inventory is as follows:

	2019	2018
Supplies inventory at cost	**₱4,245,718**	₱3,265,015
Less allowance for inventory obsolescence	**83,413**	138,896
Supplies inventory at NRV	**₱4,162,305**	₱3,126,119

Prepayments pertain to prepaid taxes and licenses, prepaid medical expenses and prepaid insurance premiums.

Short-term investments consist of time deposits with maturities of more than three (3) months but less than one (1) year, and earn interest at the respective short-term investment rates.

CWTs are amounts withheld from income subject to expanded withholding taxes. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation. CWTs which are claimed against the income tax due, represents excess of the tax payable and carried over in the succeeding period for the same purpose.

Others pertain to advances on purchases and deferred input VAT.

7. Property and Equipment

	2019							
	Land	Land Improvements	Building and Structures	Ground Tools and Service Machinery and Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Construction In Progress	Total
Cost:								
Balances at beginning of year	₱9,408,127	₱297,140,777	₱57,906,802	₱30,328,572	₱5,414,476	₱20,906,379	₱2,529,466	₱423,634,599
Additions	–	–	–	3,942,399	–	9,878,571	11,973,686	25,794,656
Disposals	(7,820)	–	(2,686,360)	(878,068)	(46,291)	–	–	(3,618,539)
Transfers	–	4,642,857	1,451,361	–	–	–	(6,094,218)	–
Balances at end of year	9,400,307	301,783,634	56,671,803	33,392,903	5,368,185	30,784,950	8,408,934	445,810,716
Accumulated depreciation:								
Balances at beginning of year	–	121,611,914	38,559,256	20,639,205	5,370,603	10,877,050	–	197,058,028
Depreciation (Notes 22 and 23)	–	10,356,121	1,893,975	3,229,002	41,859	3,664,963	–	19,185,920
Disposals	–	–	(2,686,360)	(878,068)	(46,291)	–	–	(3,610,719)
Balances at end of year	–	131,968,035	37,766,871	22,990,139	5,366,171	14,542,013	–	212,633,229
Net book values	₱9,400,307	₱169,815,599	₱18,904,932	₱10,402,764	₱2,014	₱16,242,937	₱8,408,934	₱233,177,487

	2018							
	Land	Land Improvements	Building and Structures	Ground Tools and Service Machinery and Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Construction In Progress	Total
Cost:								
Balances at beginning of year	₱9,411,841	₱280,706,609	₱56,870,804	₱24,381,627	₱5,469,870	₱16,160,508	₱15,338,299	₱408,339,558
Additions	–	232,000	1,035,998	2,755,437	–	5,772,657	6,902,014	16,698,106
Disposals	(3,714)	–	–	(317,171)	(55,394)	(1,026,786)	–	(1,403,065)
Transfers	–	16,202,168	–	3,508,679	–	–	(19,710,847)	–
Balances at end of year	9,408,127	297,140,777	57,906,802	30,328,572	5,414,476	20,906,379	2,529,466	423,634,599
Accumulated depreciation:								
Balances at beginning of year	–	113,390,847	36,609,446	18,573,068	5,375,418	9,349,793	–	183,298,572
Depreciation (Notes 22 and 23)	–	8,221,067	1,949,810	2,378,839	50,570	2,554,038	–	15,154,324
Disposals	–	–	–	(312,702)	(55,385)	(1,026,781)	–	(1,394,868)
Balances at end of year	–	121,611,914	38,559,256	20,639,205	5,370,603	10,877,050	–	197,058,028
Net book values	₱9,408,127	₱175,528,863	₱19,347,546	₱9,689,367	₱43,873	₱10,029,329	₱2,529,466	₱226,576,571

In 2019, the Club sold a parcel of land with a carrying value of ₱8 thousand. Proceeds from the sale of land amounted to ₱3.1 million resulting to a gain of ₱3.1 million. (see Note 17). In 2018, the Club sold a parcel of land with a carrying value of ₱4 thousand. Proceeds from sale of land amounted to ₱2.4 million resulting to a gain of ₱2.4 million (see Note 17).

Total book value of certain fully depreciated property and equipment amounting to ₱3.6 million and ₱1.4 million were disposed resulting to a loss of nil and ₱4 thousand in 2019 and 2018, respectively.

The cost of fully depreciated property and equipment still used in operations amounted to ₱103.9 million and ₱83.0 million as of June 30, 2019 and 2018, respectively.

8. Investment Properties

	2019		
	North Clubhouse	**Land**	**Total**
Cost:			
Balances at beginning of year	**₱53,718,366**	**₱81,265**	**₱53,799,631**
Disposal	**–**	**(7,703)**	**(7,703)**
Balances at end of year	**53,718,366**	**73,562**	**53,791,928**
Accumulated amortization:			
Balances at beginning of year	**48,218,771**	**–**	**48,218,771**
Amortization (Notes 22 and 23)	**2,661,210**	**–**	**2,661,210**
Balances at end of year	**50,879,981**	**–**	**50,879,981**
Net book values	**₱2,838,385**	**₱73,562**	**₱2,911,947**

	2018		
	North Clubhouse	Land	Total
Cost:			
Balances at beginning of year	₱53,718,366	₱88,237	₱53,806,603
Disposal	–	(6,972)	(6,972)
Balances at end of year	53,718,366	81,265	53,799,631
Accumulated amortization:			
Balances at beginning of year	45,484,263	–	45,484,263
Amortization (Notes 22 and 23)	2,734,508	–	2,734,508
Balances at end of year	48,218,771	–	48,218,771
Net book values	₱5,499,595	₱81,265	₱5,580,860

In 2019, the Club sold parcel of land with a carrying value of ₱8 thousand. Proceeds from the sale of land amounted to ₱4.4 million resulting to a gain of ₱4.4 million (see Note 17). In 2018, the Club sold land with a carrying value of ₱7 thousand. Proceeds from sale of land amounted to ₱5.3 million resulting to a gain on sale of ₱4.7 million (see Note 17).

Based on the latest appraisal report submitted by Top Consult, Inc., independent appraiser, dated June 14, 2019, the fair value of the land with aggregate land area of 9,577 sqm. and building with total floor area of 2,271 sqm., amounted to ₱45.1 million and ₱32.7 million, respectively. Based on the appraisal report dated July 18, 2018, the aggregate land area of 9,577 sqm. and building with total floor area of 2,271 sqm., amounted to ₱42.2 million and ₱33.6 million. The valuation method used by the appraiser for land and building is Sales Comparison Approach.

Rental income earned from investment property amounted to ₱0.3 million, ₱0.3 million and ₱0.2 million in 2019, 2018 and 2017 (see Note 21). Direct expenses related to investment properties consist mainly of amortization amounting to ₱2.6 million and ₱2.7 million in 2019 and 2018, respectively.

9. Trust Fund

Pursuant to the resolution passed by the members on September 12, 1982 and as provided for in the Club's by laws, the trust fund committee is empowered to invest the Valley Golf Trust Fund, which in no case shall be less than the original amount of ₱3.5 million, in leading universal banks in the country.

The members' resolution further states that all proceeds from future sale of shares and real property, including all amortizations due on the sale of shares previously sold, shall accrue to the trust fund and that 85% of the interest income of the fund shall be made available for the maintenance and repair of the golf course. The remaining 15% of said interest income shall accrue to and form part of the fund.

On May 21, 1989, the members' resolution was amended stating that, "the proceeds of the sale of any real property of the Club or shares of stock to be used for capital expenditure and other infrastructure project shall not form part of the Valley Golf Trust Fund. However, any excess thereof shall form part of the Valley Golf Trust Fund".

The trust fund account was reported as part of the "Noncurrent assets" portion in the statement of financial position.

Trust fund balance amounted to ₱4.8 million and ₱4.6 million as at June 30, 2019 and 2018, respectively. Interest income recognized for the trust fund amounted to ₱31 thousand, ₱32 thousand and ₱38 thousand for the years 2019, 2018 and 2017, respectively.

10. Other Noncurrent Assets

	2019	2018
Refundable deposit	**₱741,697**	₱699,724
Computer software	**121,426**	174,648
	₱863,123	₱874,372

Refundable deposit pertains to deposits to utility companies. The carrying amounts of the deposits are regarded as its amortized cost since the timing of the refund or settlement of the deposits could not be reasonably estimated.

The movement of computer software is as follows:

	2019	2018
Cost:		
Balance at beginning and end of year	₱2,537,552	₱2,502,552
Additions	78,400	35,000
Balance at end of year	2,615,952	2,537,552
Accumulated Amortization:		
Balance at beginning of year	2,362,904	2,057,147
Amortization (Notes 22 and 23)	131,622	305,757
Balance at end of year	2,494,526	2,362,904
Net book value	₱121,426	₱174,648

11. Trade and Other Payables

	2019	2018
Trade	₱12,691,821	₱6,971,348
Organizations and cooperative	5,848,532	5,693,219
Accrued expenses	4,323,784	3,954,946
VAT payable	790,400	37,357
Concessionaires	450,504	315,092
Others	409,791	763,124
	₱24,514,832	₱17,735,086

Trade payables are unsecured, noninterest-bearing and are payable to suppliers within 30 days.

Organizations and cooperative are loans and advances by the employees from the association which are payable on demand.

Accrued expenses are obligations on the basis of normal credit terms and do not bear interest. These pertain to accruals made for outside services, utilities and other various accruals. These are normally settled throughout the next financial year.

Concessionaires pertains to collections received by the Club for and on behalf of the concessionaires.

Other payables mainly consist of withholding tax payables and tournament deposits.

12. Members' Deposits and Others

	2019	2018
Due to former members	₱7,699,969	₱6,261,595
Cash deposits	5,580,000	5,365,000
Security deposit	267,988	257,780
	₱13,547,957	₱11,884,375

Due to former members consist mainly of proceeds from auction sale of shares, payable to former members and other advance payments made by them.

Cash deposit pertains to deposits made by playing guests. Any unpaid liabilities will be deducted from this account and the excess will be refunded upon resignation of the playing guest.

Security deposit pertains to various deposits received by the Club from its concessionaires and lessee and is to be refunded at the end of their respective agreements.

13. Contract Liabilities/Membership Dues Paid in Advance

	2019	2018
Membership dues paid in advance	**₱6,099,800**	₱5,550,200
Tournament deposit	**171,429**	–
Green fee coupons	**376,024**	–
Others	**107,936**	–
	₱6,755,189	₱5,550,200

Membership dues paid in advance represents advance collection of monthly membership dues which are applied in the next financial year.

Tournament deposits pertains to advance payments of the Club's members made for an upcoming golf tournament.

Green fee coupons are issued to Freeport Elite Resorts, Inc. which operates a driving range facility within the Club at a discounted price. The coupons are issued at different prices. These coupons are then sold to Korean guests of the Club also at a discounted price.

Others pertains to the advance payments of the members for dues and fees, and for golf cart storage and locker rentals.

Prior to adoption of PFRS 15, the tournament deposit, green fee coupons and other advance payments are presented as part of "Trade and other payables".

14. Payable to a Contractor

This pertains to the payable for the construction of the Club's main road, Don Celso S. Tuason Avenue.

On January 3, 2012, the Club and the contractor agreed in principle to settle the debt in exchange of 985 square meters of land belonging to the Club. The market value of the land amounted to ₱4.9 million.

On October 6, 2017, the Club executed a deed of absolute sale with a third-party corporation for a consideration equivalent to the outstanding payable of the Club to a contractor of ₱4.5 million. In 2019, the transfer of ownership to the third-party corporation was made. Correspondingly, the payable to contractor was settled.

As of June 30, 2019 and 2018, payable to a contractor amounted to nil and ₱4.5 million, respectively.

15. Accrued Provision for Probable Claims

Accrued provision for probable claims pertains to the estimated liability to resolve various probable claims against the Club. Any payment of actual claims against the Club requires the approval of the BOD.

The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims, arbitration and assessments.

As of June 30, 2019, and 2018, accrued provision for probable claims amounted to ₱1.0 million.

16. Members' Equity

Capital Stock

	Shares		Amount	
	2019	2018	**2019**	2018
Common shares - ₱9,000 par value				
Authorized - 1,800 shares				
Issued				
Balance at beginning of year	**1,594**	1,593	**₱14,346,000**	₱14,337,000
Additions during the year	**–**	1	**–**	9,000
Balance at end of year	**1,594**	1,594	**₱14,346,000**	₱14,346,000

On September 6, 2017, the Club issued one (1) share of stock for ₱300,000 (see Note 29).

Accumulated Excess of Revenues Over Expenses

	2019	2018
Accumulated excess of revenues over expenses	**₱44,679,159**	₱37,713,595
Other comprehensive income (loss) (Note 27):		
Item not to be reclassified into profit or loss in subsequent periods:		
Beginning balance	**2,229,918**	2,297,900
Re-measurement gains (losses) on defined benefit obligation	**665,822**	(67,982)
	2,895,740	2,229,918
Total	**₱47,574,899**	₱39,943,513

17. Revenue from Contracts with Customers

The table below presents the disaggregation of the Club's revenue from contracts with customers:

	2019
Nature of services	
Membership dues (Note 18)	₱52,771,707
Sports and recreation (Note 19)	26,505,536
Assessment for road maintenance	16,060,509
Corporate services	11,022,061
Revenue from special events	9,053,591
Sale of properties (Notes 7 and 8)	7,442,159
Concessionaires' fee (Note 20)	5,730,543
Patronage fees (Note 18)	3,533,774
Surcharge	797,904
Others	2,187,509
	₱135,105,293

	2019
Timing of revenue recognition	
Services transferred over time	₱121,134,687
Goods transferred at a point in time	13,970,606
	₱135,105,293

Assessment for road maintenance are toll fees charged by the Club to users of the Club's main road, Don Celso S. Tuason Avenue. A specified fix rate is charged for different type of motor vehicles.

Revenue from special events are fees charged to the Club's members for golf tournaments held at the Club. This also includes assessment fees to the Club's members for Club's social events. Tournament fees and assessment fees included under "Miscellaneous income" account in 2018 and 2017 amounted to ₱2.3 million and ₱1.7 million, respectively.

Gain on sale of properties included under "Miscellaneous income" account in 2018 and 2017 amounted to ₱7.0 million and ₱0.4 million in 2018 and 2017, respectively.

Surcharge are penalties charged to members with delinquent accounts for over 45 days from the statement or cut-off date. A surcharge of 5% shall be imposed on any account that remains delinquent including interest of 1% a month until the account is paid in full. Surcharges included under "Miscellaneous income" account in 2018 and 2017 amounted to ₱0.8 million and ₱0.9 million, respectively.

Others pertains to the miscellaneous income earned by the Club such as corkage, commission on art display and sale of scraps. These other income were included under "Miscellaneous income" account in 2018 and 2017 amounted to ₱1.3 million and ₱1.9 million, respectively.

18. Membership Dues and Patronage Fees

Membership Dues
Membership dues and assessments are collected by the Club from its members primarily to cover expenses related to the maintenance and, for that matter, are utilized for improvements in the Club's facilities. The collection of these dues and assessments does not arise from any sale of goods or services but are imposed to cover and defray necessary expenses related to the maintenance of, and improvements in, the Club's facilities and as such, no part of the Club's income inures to the benefit of any of its members.

Members' dues recognized amounted to ₱52.8 million, ₱52.4 million and ₱52.4 million in 2019, 2018 and 2017, respectively.

Member's dues paid in advance by its existing members amounted to ₱6.1 million and ₱5.6 million as at June 30, 2019 and 2018, respectively. In 2019, upon the adoption of PFRS 15, members' dues paid in advance is considered as a contract liability of the Club to its members.

Patronage Fees
Patronage fees are monthly consumables that members are entitled for the consumption of food and beverage provided by the Club's concessionaires that has expired and unconsumed.

Patronage fees recognized amounted to ₱3.5 million, ₱3.7 million and ₱4.1 million in 2019, 2018 and 2017, respectively.

19. Sports and Recreation

Green Fees
Green fees are generated from the use of the Club's golf courses. The Club has two golf courses: the North and South course. The North course is open to its members, their guests, and walk-in customers while the South course is open to its members and their guests only.

On September 30, 2016, the Club entered into agreement with Freeport Elite Resort, Inc. to purchase 1,000 coupons and another 1,000 coupons upon consumption of all coupons previously purchased. The green fees from Freeport Elite Resort, Inc. amounted to ₱1.0 million, ₱1.6 million and ₱0.86 million in 2019, 2018 and 2017, respectively.

The Club's aggregate green fees earned amounted to ₱24.0 million, ₱22.2 million and ₱17.6 million in 2019, 2018 and 2017, respectively. Service fees charged to guests for every play of golf amounted to ₱1.5 million in 2019. Service fees included under "Miscellaneous income" account in 2018 and 2017 amounted ₱1.3 million, and ₱1.0 million, respectively.

20. Concessionaires' Fees

	2019	2018	2017
Food and beverage services	**₱4,735,860**	₱4,149,021	₱2,287,195
Retail services	**969,528**	986,132	975,454
Spa and barbershop services	**25,155**	20,679	16,107
	₱5,730,543	₱5,155,832	₱3,278,756

Concession agreements entered into by the Club are shown below:

Food and Beverage Services

a) Jay-j's Food Management, Inc. (JFMI), a local food concessionaire and the Club entered into a concession agreement whereby JFMI manages the food and beverage operations of the Club located at the North Clubhouse. The agreement also provides that the concessionaire shall pay a fee of 7% plus VAT of the monthly gross sales including special functions contracted for the members and guest and to purchase one (1) share of stock. The share of stock is pledged to the Club which serves as a security deposit to answer for any damages or expenses incurred. The agreement is for a period of three (3) years from August 1, 2016 up to July 31, 2019. On June 15, 2019, the contract was extended for a period of three (3) months, starting from August 1, 2019 up to October 31, 2019. The concessionaire fee recognized from JFMI amounted to ₱1.5 million in 2019 and 2018, and ₱1.0 million in 2017.

b) Anix's House of Kare-kare (AHK), a local food concessionaire and the Club entered into a concession agreement whereby AHK manages the food and beverage operations of the Club at the Main Clubhouse. The agreement also provides that the concessionaire shall pay a fee of 7% plus VAT of the monthly gross sales for the first six (6) months of operations and 10% plus VAT of the monthly gross sales for the succeeding months or ₱100,000 whichever is higher including catering services contracted for the members and guest and to purchase one (1) share of stock. The share of stock is pledged to the Club which serves as a security deposit to answer for any damages or expenses incurred. The agreement is for a period of three (3) years from January 20, 2017 up to January 19, 2020, subject to renewal at the option of the Club under such terms and conditions to be mutually agreed by the parties. The concessionaire fee recognized from AHK amounted to ₱3.3 million, ₱2.7 million and ₱0.68 million in 2019, 2018 and 2017, respectively.

Retail Shop

Pacsport Phils, Inc. was awarded the concession to operate a retail sales outlet, inside the Clubhouse to serve the members, guests and dependents, exclusively. In consideration for operating the outlet, the Club charges a basic minimum monthly concession fee of ₱65,000 or 15% of their gross sales per month inclusive of VAT, whichever is higher. The agreement is for a period of two years from March 15, 2016 up to May 14, 2018.

On July 9, 2018, the contract was renewed and shall be effective for a period of two (2) years, starting from March 15, 2018 up to May 14, 2020. The contract provides that the concessionaire shall pay a fee of ₱70,000 or 15% of their gross sales per month inclusive of value added tax, whichever is higher. The concessionaire fees from Pacsport Phils, Inc. amounted to ₱0.9 million, ₱1.0 million and ₱0.9 million in 2019, 2018 and 2017, respectively.

21. Rentals

	2019	2018	2017
Golf cart rental	**₱9,158,518**	₱7,989,319	₱5,836,840
Golf cart storage	**3,012,128**	2,662,047	2,456,074
Venue and room fee	**1,078,320**	738,168	511,384
Locker rental	**944,084**	889,763	832,556
Pullcart rental	**736,645**	629,685	454,580
Driving range	**517,032**	507,089	–
Communication cell site (Note 8)	**305,404**	287,655	231,883
Others	**193,013**	183,016	173,798
	₱15,945,144	₱13,886,742	₱10,497,115

Golf carts, pull carts, and lockers pertain to rental fees charged to members and guests. The Club provides for pull carts to its members and guests in exchange for a rental fee for every play of golf. However, the players may opt to rent a golf cart instead, thus, the pull cart fee will be waived. Rentals of golf carts and lockers are for the use of the golf carts provided by the Club for its members. Rentals of lockers are for the use of the Club's locker rooms.

Golf cart storage pertains to rental fees charged to members for keeping the golf carts in reserve within the Club's premises.

On September 16, 2016, the Club entered into a Build-Lease-Transfer agreement with a third party to construct a Double Deck Driving Range with amenities located at the north course. The agreement includes a lease term of fifteen (15) years which commenced on July, 8, 2017. The lessee shall pay a monthly lease of ₱25,000, inclusive of VAT, subject to a 10% escalation starting on the third (3rd) year. As part of the agreement, the lessee shall pay ₱450,000 representing one (1) year advance rental and six (6) months security deposits.

The future minimum rental commitment under this operating lease as of June 30, 2019, 2018 and 2017 are as follows:

	2019	2018	2017
Within one (1) year	**₱518,452**	₱267,857	₱–
More than one (1) year but not more than five (5) years	**2,586,579**	1,243,125	–
More than five (5) years	**3,632,005**	6,250,133	–
	₱6,737,036	₱7,761,115	₱–

The excess of principal amount of the refundable security deposits over its fair value, at inception date of operating lease, is presented under "Other noncurrent liability" amounting to ₱0.2 million and its current portion under "Trade and other payables" amounting to ₱13 thousand in the statement of financial position. Straight-line amortization of deferred rent amounted to ₱13 thousand in 2019 and 2018.

The Club leases the north clubhouse's rooftop to a local telecommunications company to be used as a cell site under certain conditions. Monthly rental amounts to ₱15,000, subject to a 4.5% escalation starting on the fourth (4) year. The lease period is from October 1, 2007 to September 30, 2017, renewable for a period to be mutually agreed upon by the parties. The contract was renewed in 2017 for a period of 10 years which took effectivity on October 1, 2017 and expiring on September 30, 2027. The lessor shall pay ₱23,197, inclusive of VAT, subject to a 4.5% escalation starting on the second (2nd) year of the new lease period.

The future minimum lease commitment under this operating lease as of June 30, 2019, 2018 and 2017 are as follows:

	2019	2018	2017
Within one (1) year	**₱305,404**	₱305,404	₱61,239
More than one (1) year but not more than five (5) years	**1,527,020**	1,527,020	–
More than five (5) years	**687,159**	992,563	–
	₱2,519,583	₱2,824,987	₱61,239

Others pertain to rental fees from the Club's housing and employee's canteen.

22. Cost of Services

	2019	2018	2017
Outside services	**₱33,891,093**	₱30,025,468	₱30,160,464
Personnel cost (Note 24)	**22,206,954**	21,407,116	19,925,636
Depreciation and amortization (Notes 7, 8, and 10)	**21,751,957**	17,907,874	16,687,593
Utilities	**12,066,285**	9,588,934	8,258,372
Repairs and maintenance	**10,855,913**	5,497,280	3,121,313
Supplies	**7,644,658**	7,178,936	5,356,042
Club events	**5,495,985**	–	–
Loss on write-off of inventory	**–**	–	12,724
Others	**9,836,755**	10,772,803	8,026,268
	₱123,749,600	₱102,378,411	₱91,548,412

Others pertain to provision for tournament expenses, insurance, ads and publication, promotional and industrial expenses, parking fee, and other miscellaneous expenses.

23. General and Administrative

	2019	2018	2017
Personnel costs (Note 24)	**₱8,173,535**	₱5,994,242	₱7,802,814
Taxes and licenses	**4,834,349**	4,329,956	3,788,406
Outside services	**1,957,876**	1,274,064	2,033,379
Bank charges	**1,193,201**	1,108,371	967,949
Board members' meetings	**1,008,652**	843,775	686,899
Supplies	**852,531**	713,381	790,316
Utilities	**615,092**	504,540	617,389
Depreciation and amortization (Notes 7, 8, and 10)	**226,795**	286,715	380,503
Interest	**10,081**	49,808	213,869
Provision for impairment losses (Note 5)	**4,066**	–	–
Others	**1,001,181**	879,803	863,479
	₱19,877,359	₱15,984,655	₱18,145,003

Other expenses consist mainly of advertising expenses, prompt payment discounts, insurance and net expenses incurred during tournaments.

24. Personnel Costs

	2019	2018	2017
Cost of services (Note 22):			
Salaries and wages	**₱16,961,111**	₱16,476,142	₱14,854,818
Employee benefits	**4,117,500**	3,846,188	3,651,002
Retirement benefit expense (Note 27)	**1,128,343**	1,084,786	1,419,816
	22,206,954	21,407,116	19,925,636

forward

	2019	2018	2017
General and administrative (Note 23):			
Salaries and wages	**₱6,386,145**	₱4,497,484	₱6,097,309
Employee benefits	**1,509,801**	1,177,461	1,346,808
Retirement benefit expense (Note 27)	**277,589**	319,297	358,697
	8,173,535	5,994,242	7,802,814
	₱30,380,489	₱27,401,358	₱27,728,450

25. Income Taxes

The composition of provision for (benefit from) income taxes is:

	2019	2018	2017
Current	**₱1,368,860**	₱490,823	₱395,935
Deferred	**(104,750)**	(11,457)	1,271,801
	₱1,264,110	₱479,366	₱1,667,736

a. The Club's provision for current income tax pertains to RCIT in 2019 and MCIT in 2018 and 2017.

b. The reconciliation of income computed at the statutory tax rates to provision for income tax as shown in the statements of income is as follows:

	2019	2018	2017
Income tax at the statutory rate	**₱2,468,902**	₱3,798,527	₱3,281
Income tax effects of:			
Expired MCIT	**–**	145,758	464,384
Expired NOLCO	**–**	368,513	–
Nondeductible expenses	**350,208**	–	6,250
Interest income subject to final tax	**(237,741)**	(136,031)	(32,365)
Income subject to capital gains tax	**–**	(1,417,504)	–
Movement of unrecognized deferred tax assets	**(1,317,259)**	(2,279,897)	1,226,186
	₱1,264,110	₱479,366	₱1,667,736

c. The components of the recognized net deferred tax assets are as follows:

	2019	2018
Deferred tax assets:		
Advanced payments of membership dues and others	**₱1,862,321**	₱1,665,059
Allowance for impairment losses	**536,070**	538,190
	2,398,391	2,203,249

forward

	2019	2018
Deferred tax liabilities:		
Re-measurement gain on defined benefit obligation	**₱(1,241,032)**	₱(955,679)
Rent receivable	**(175,425)**	(86,128)
Interest income from accretion	**(2,329)**	(1,234)
	(1,418,786)	(1,043,041)
	₱979,605	₱1,160,208

The reconciliation of the net deferred tax assets is as follows:

	2019	2018
Balances at beginning of year	**₱1,160,208**	₱1,119,616
Benefit from (provision for) deferred tax during the year recognized in:		
Profit or loss	**104,750**	11,457
OCI	**(285,353)**	29,135
Balances at end of year	**₱979,605**	₱1,160,208

No deferred tax assets from the following deductible temporary difference were recognized as it is not probable that sufficient taxable profit will be available to allow the benefit of the deferred tax assets to be utilized:

	2019	2018
Retirement benefit obligation	**₱7,782,353**	₱8,375,073
MCIT	**–**	1,283,826
Unrecognized past service cost	**1,633,026**	1,151,748
Accrued provision for probable claims	**1,019,740**	1,019,740
	₱10,435,119	₱11,830,387

d. As at June 30, 2019, the Club does not have NOLCO that can be claimed as deductions from future taxable income.

e. As at June 30, 2019, the Club does not have MCIT that can be claimed as deductions from future taxable liabilities, as follows:

Year Incurred	Year of Expiration	MCIT	Applied	Balance
2016	2019	₱397,068	₱397,068	₱–
2017	2020	395,935	395,935	–
2018	2021	490,823	490,823	–
		₱1,283,826	₱1,283,826	₱–

Movements in excess of MCIT over RCIT follow:

	2019	2018
Beginning balances	**₱1,283,826**	₱938,761
Additions	**–**	490,823
Expirations	**–**	(145,758)
Applications	**(1,283,826)**	–
Ending balances	**₱–**	₱1,283,826

26. Related Party Transactions

Related parties include members of key management personnel including directors and officers of the Club and close members of the family and companies associated with these individuals. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form. Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

A summary of major account balances with related parties follows:

Short-term Loans
Short-term loans represent the outstanding principal balance of short-term borrowings from Club members, renewable on a yearly basis upon mutual agreement of the parties. The Club however has the option to pre-terminate the loan. The loans bear annual interest rate of 3% in 2017. The loan is secured by unissued shares of stock of the Club. There are no short-term loans in 2019 and 2018.

Interest incurred on the short-term loan amounted to ₱20 thousand in 2017.

Key Management Personnel Compensation
Compensation of key management personnel amounted to ₱2.5 million, ₱0.8 million and ₱1.3 million in 2019, 2018 and 2017, respectively, which represent short-term benefits.

Complimentary Club Coupons and House Guests Privileges
Complimentary green fee coupons are given to the BOD and certain officers for distribution to prospective members and certain guests and friends of the Club. The outstanding green fee coupons for each fiscal year are as follows:

	2019	2018	2017
Beginning balance	**31**	531	550
Additions during the year	**3,380**	2,804	2,794
Issuances during the year	**(3,046)**	(3,304)	(2,813)
Ending balance	**365**	31	531

The amount of green fees charged to playing guest ranges from ₱921 to ₱1,721. Green fee coupons expire after six months.

The Club also authorizes certain Club officers to entertain houseguests and use the Club's facilities free-of-charge.

Non-Paying Members and their Dependents
Certain members of the Club and their dependents are exempt from paying monthly dues.

27. Retirement Benefit Obligation

The Club has a funded, non-contributory, defined benefit retirement plan covering all its qualified officers and employees. Under the plan, qualified officers and employees are entitled to receive pension benefits on a lump sum basis when they reach the retirement age of 60. With the consent of the Club, an employee may elect to retire early provided he has rendered at least 20 years of credited service or at least 15 years of credited service and at least 50 years old. The projected unit credit cost method was used to determine the retirement benefit costs and obligation. The Club's retirement fund is being held in trust by a trustee bank.

The following tables summarize the components of the retirement benefit cost recognized in the statement of income and the retirement benefit obligation recognized in the statement of financial position for the retirement plan.

Retirement benefits expense recognized in the statements of income:

	2019	2018	2017
Service cost	**₱1,055,974**	₱1,144,582	₱1,344,762
Net interest cost:			
Interest cost on benefit obligation	**1,467,337**	1,091,187	955,155
Interest income on plan assets	**(1,117,379)**	(831,686)	(521,404)
Retirement benefit expense	**₱1,405,932**	₱1,404,083	₱1,778,513

Re-measurement losses (gains) on defined benefit obligation recognized under OCI in the statements of comprehensive income:

	2019	2018	2017
Actuarial losses (gains):			
Experience adjustments	**(₱1,992,350)**	₱1,049,691	(₱793,571)
Changes in financial assumptions	**1,749,818**	(2,162,468)	(2,472,914)
Changes in demographic assumptions	**(222,669)**	(130,737)	(3,139,027)
	(465,201)	(1,243,514)	(6,405,512)
Return on plan assets excluding the amount included in net interest cost	**(485,974)**	1,340,631	89,736
Re-measurement losses (gains) on defined benefit obligation	**(₱951,175)**	₱97,117	(₱6,315,776)

Cumulative re-measurement effect recognized in OCI included in the accumulated excess of revenues over expenses:

	2019	2018
Balances at beginning of year	**(₱3,185,597)**	(₱3,282,714)
Actuarial loss (gain)	**(465,201)**	(1,243,514)
Return on assets excluding amount included in net interest cost	**(485,974)**	1,340,631
	(4,136,772)	(3,185,597)
Income tax effect	**1,241,032**	955,679
Total amount recognized in OCI	**(₱2,895,740)**	(₱2,229,918)

Movements in retirement benefit obligation in 2019 and 2018 are as follows:

	2019	2018
Balances at beginning of year	**₱5,189,476**	₱5,686,930
Retirement benefit expense	**1,405,932**	1,404,083
Contributions paid	**(1,998,654)**	(1,998,654)
Remeasurement losses (gains) recognized in OCI	**(951,175)**	97,117
Balance at end of year	**₱3,645,579**	₱5,189,476

Changes in the present value of defined benefit obligation as follows:

	2019	2018
Balances at beginning of year	**₱21,204,293**	₱20,666,429
Current service cost	**1,055,974**	1,144,582
Interest cost	**1,467,337**	1,091,187
Net actuarial loss (gain) due to:		
Experience adjustments on plan liabilities	**(1,992,350)**	1,049,691
Changes in financial assumptions	**1,749,818**	(2,162,468)
Changes in demographic assumptions	**(222,669)**	(130,737)
Benefits paid from plan assets	**(1,734,104)**	(454,391)
Balances at end of year	**₱21,528,299**	₱21,204,293

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

	2019	2018
Balances at beginning of year	**₱16,014,817**	₱14,979,499
Interest income on retirement plan assets	**1,117,379**	831,686
Actual contributions	**1,998,654**	1,998,654
Actual return excluding amount included in net interest cost	**485,974**	(1,340,631)
Benefits paid	**(1,734,104)**	(454,391)
Balances at end of year	**₱17,882,720**	₱16,014,817

Retirement obligation as reported in the statement of financial position:

	2019	2018
Present value of benefit obligation	**₱21,528,299**	₱21,204,293
Fair value of retirement plan assets at end of year	**(17,882,720)**	(16,014,817)
	₱3,645,579	₱5,189,476

The major categories of plan assets are as follows:

	2019	2018
Deposit in banks	**₱177,297**	₱12,223
Investment in government securities	**10,377,162**	9,816,158
Other securities and debt instruments	**4,351,000**	3,196,000
Shares of stock	**2,802,057**	2,807,731
Accrued interest receivable	**186,416**	173,225
Other receivables	**11,464**	29,983
Accrued trust fees and other payables	**(22,676)**	(20,503)
	₱17,882,720	₱16,014,817

Deposit in banks includes regular savings.

Investments in government securities consist of retail treasury bonds that bear interest ranging from 5.0% to 11.1% and will mature on various dates starting July 2013 to October 2037.

Other securities and debt instruments pertains to 'due from Bangko Sentral ng Pilipinas' and 'time certificate of deposit'.

Miscellaneous receivable pertains to 'dividends receivable' and 'due from brokers'.

The principal actuarial assumptions used in determining retirement benefit obligations for the Club's retirement plan are as follows:

	2019	2018
Discount rate	**5.38%**	6.92%
Future salary increases	**3.00%**	3.00%
Turnover rate	**8% at age 19 to 24**	8% at age 19 to 24
	7% at age 45	7% at age 45

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

	Increase (decrease)	Effect on defined benefit obligation
Discount rates	+1%	(₱1,165,594)
	-1%	1,287,773
Salary increase rate	+1%	₱1,305,761
	-1%	(1,202,316)

Shown below is the maturity profile of the undiscounted benefit payments:

	2019	2018
Year 1	**₱962,082**	₱2,724,923
Year 2	**2,716,133**	1,240,477
Year 3	**4,412,466**	1,654,478
Year 4	**2,691,975**	6,436,729
Year 5	**6,726,755**	5,159,382
Year 6 - 10	**9,256,275**	10,553,860

The average duration of the defined benefit obligation is 5.7 years as of June 30, 2019 and 2018.

The Club's latest actuarial valuation report was as of June 30, 2019. It also expects to contribute nil in 2020.

28. Financial Instruments

Financial Risk Management Objectives and Policies

The Club's principal financial liabilities comprise of trade and other payables, members' deposit and others. The main purpose of these financial liabilities is to raise finance for the Club's operations. The Club has various financial assets such as cash in banks and cash equivalents, trade and other receivables, short term investments under "Other current assets", and trust fund, which arise directly from its operations.

The main risks arising from the Club's financial instruments are credit risk and liquidity risk. The BOD reviews and approves the policies for managing each of these risks and they are summarized below.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Club manages credit risk by establishing credit limits at the level of the individual borrower, corporate relationship and industry sector. Also, the Club transacts only with recognized third parties.

In addition, receivables balances are monitored on an ongoing basis with the result that the Club's exposure to bad debts is not significant. Provision for ECL/impairment losses on receivables will also be made if the situation so warrants subject to the BOD's review and approval.

The following table represents the Club's maximum exposure to credit risk:

	2019	2018
	Amortized cost	*Loans and receivables*
Cash in banks and cash equivalents	**₱46,069,167**	₱43,949,150
Trade and other receivables	**15,836,660**	13,646,978
Short-term investments under "other current assets"	**666,224**	–
Trust fund	**4,773,793**	4,611,154
	₱67,345,844	₱62,207,282

Credit quality per class of financial asset

The credit quality of financial assets is being managed by the Club using internal credit ratings. High grade financial assets are those that are current and collectible. Standard grade financial assets need to be consistently followed up but are still collectible.

The tables below show the credit quality by class of financial asset based on the Club's credit rating system:

As of June 30, 2019

	Neither past due nor impaired		Past due	Past due and	
	High grade	Standard grade	but not impaired	individually impaired	Total
Amortized cost:					
Cash in banks and cash equivalents	₱46,069,167	₱–	₱–	₱–	₱46,069,167
Trade and other receivables:					
Trade receivables	2,139,402	–	8,698,659	1,786,899	12,624,960
Others	–	3,211,700	–	–	3,211,700
Short-term investments under "other current assets	666,224	–	–	–	666,224
Trust fund	4,773,793	–	–	–	4,773,793
	₱53,648,586	₱3,211,700	₱8,698,659	₱1,786,899	₱67,345,844

As of June 30, 2018

	Neither past due nor impaired		Past due	Past due and	
	High grade	Standard grade	but not impaired	individually impaired	Total
Loans and receivables:					
Cash in banks and cash equivalents	₱43,949,150	₱–	₱–	₱–	₱43,949,150
Trade and other receivables:					
Trade receivables	1,893,250	–	7,104,793	1,793,966	10,792,009
Others	–	2,854,969	–	–	2,854,969
Trust fund	4,611,154	–	–	–	4,611,154
	₱50,453,554	₱2,854,969	₱7,104,793	₱1,793,966	₱62,207,282

Cash in banks and cash equivalents, short-term investments under "other current assets" and trust fund are considered as high grade since these are deposited with reputable financial institutions.

High grade trade receivables pertain to those receivables from customers that consistently pay before the maturity date. Standard grade receivables include other receivables that are collected on their due dates even without an effort from the Club to follow them up.

Past due but not impaired trade receivables include those that are past due but are still collectible.

Past due and individually impaired financial assets are those accounts identified by the Club that needs to be provided with allowance. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts such as but not limited to the length of the Club's relationship with the member, the member's payment behavior and known market factors.

Impairment of financial assets
The Club's financial assets that are subject to the ECL model consists of cash in banks and cash equivalents, trade and other receivables, short-term investments under "other current assets" and trust fund.

With respect to credit risk for these financial assets, the Branch's maximum exposure equals to the carrying amount of these instruments. The Club has impaired financial assets amounting to ₱1.8 million as at June 30, 2019 and 2018 (see Note 5).

Liquidity risk
Liquidity risk is defined as the risk that the Club may not be able to settle or meet its obligations as they fall due. The Club monitors and maintains a level of cash deemed adequate by the management to finance the Club's operations and mitigate the effects of fluctuations in cash flows.

The table below summarizes the maturity profile of the Club's financial liabilities as of June 30, 2019 and 2018, based on contractual undiscounted cash flows. The table also analyses the maturity profile of the Club's financial assets in order to provide a complete view of the Club's contractual commitments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates.

As of June 30, 2019

	On demand	Less than 30 Days	30 to 60 days	61 to 90 days	More than 91 Days	Total
Financial liabilities						
Trade and other payables:						
Trade payables	₱6,976,632	₱2,759,740	₱2,728,750	₱–	₱226,699	₱12,691,821
Accrued expenses	2,857,526	613,684	238,065	134,918	479,591	4,323,784
Others*	894,575	30,000	–	159,600	4,598,082	5,682,257
Members deposits and others	13,547,957	–	–	–	–	13,547,957
	₱24,276,690	₱3,403,424	₱2,966,815	₱294,518	₱5,304,372	₱36,245,819
Financial assets						
Amortized cost:						
Cash in banks cash equivalents	₱46,069,167	₱–	₱–	₱–	₱–	₱46,069,167
Trade and other receivables:						
Trade receivables	2,139,403	3,636,520	2,264,492	908,485	3,676,060	12,624,960
Others	1,396,752	995,176	113,666	53,146	652,960	3,211,700
Short-term investment						
under "other current assets"	666,224	–	–	–	–	666,224
Trust fund	4,773,793	–	–	–	–	4,773,793
	₱55,045,339	₱4,631,696	₱2,378,158	₱961,631	₱4,329,020	₱67,345,844

**Excludes statutory liabilities*

As of June 30, 2018

	On demand	Less than 30 Days	30 to 60 days	61 to 90 days	More than 91 Days	Total
Financial liabilities						
Trade and other payables:						
Trade payables	₱2,512,735	₱–	₱526,429	₱–	₱3,932,184	₱6,971,348
Accrued expenses	2,869,227	703,955	36,400	42,127	303,237	3,954,946
Others*	1,104,969	732,773	189,864	163,113	4,045,517	6,236,236
Members deposits and others	11,884,375	–	–	–	–	11,884,375
Payable to a contractor	4,523,504	–	–	–	–	4,523,504
	₱22,894,810	₱1,436,728	₱752,693	₱205,240	₱8,280,938	₱33,570,409
Financial assets						
Loans and receivables						
Cash in banks and cash equivalents	₱43,949,150	₱–	₱–	₱–	₱–	₱43,949,150
Trade and other receivables:						
Trade receivables	1,893,250	3,285,399	1,596,505	882,442	3,134,413	10,792,009
Others	963,697	909,534	94,761	384,543	502,434	2,854,969
Trust fund	4,611,154	–	–	–	–	4,611,154
	₱51,417,251	₱4,194,933	₱1,691,266	₱1,266,985	₱3,636,847	₱62,207,282

**Excludes statutory liabilities*

Fair Value Measurements

The following provides the fair value measurement hierarchy of the Parent Company's assets and liabilities as at June 30, 2019 and 2018:

		Fair Value Measurement			
	Date of Valuation	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets for which fair values are disclosed					
Investment Properties					
(Note 8)	**2019**	**₱77,779,100**	**–**	**–**	**₱77,779,100**
	2018	75,731,600	–	–	75,731,600

Significant unobservable inputs for fair value measurement of the Club's investment properties include sales listing of currently executed transactions involving similar items within the immediate vicinity of the property. The fair value of the investment properties are adjusted considering the location, size and physical attributes of the property.

Cash in banks and cash equivalents, trade and other receivables, short-term deposits under "other current assets", trust fund, trade and other payables, and members' deposit and others
The carrying values of cash in banks and cash equivalents, trade and other receivables, short-term deposits under "other current assets" trust fund, trade and other payables, and members' deposit and others and payable to a contractor, approximate their fair values due to the relatively short-term maturity of these financial instruments.

As of June 30, 2019, and 2018, the Club does not have any financial instruments to be presented under the fair value hierarchy required by PFRS 7.

Capital Management

The primary objective of the Club's capital management policy is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize members' value. The club manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Club is not subject to externally imposed capital requirements. The Club considers total member's equity as capital.

	2019	2018
Capital stock	**₱14,346,000**	₱14,346,000
Contributions in excess of par value	**201,627,772**	201,627,772
Accumulated excess of revenues over costs and expenses	**47,574,899**	39,943,513
	₱263,548,671	₱255,917,285

No changes were made in the objectives, policies or processes for the years ended June 30, 2019 and 2018.

29. Notes to Statements of Cash Flows

The non-cash investing activity of the Club pertains to the purchase of fifteen (15) electric golf carts by trading in five (5) used golf carts amounting to ₱200,000 in 2018.

The non-cash financing activity of the Club pertains to the issuance of one (1) share in exchange for the services rendered amounting to ₱240,000 and ₱60,000 of transfer fee in 2018.

30. Supplementary Information under Revenue Regulations (RR) 15-2010

On November 25, 2010, the BIR issued RR 15-2010 prescribing the manner of compliance in connection with the preparation and submission of financial statements accompanying the tax returns. It includes provisions for additional disclosure requirements in the notes to the financial statements, particularly on taxes, duties and licenses paid or accrued during the year. The Club reported and/or paid the following types of taxes in 2019:

a. VAT
The Club's sales are subject to output VAT while its purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12.0%.

The NIRC of 1997 provides for the imposition of VAT on sales of goods and services. Accordingly, the Club's sales are subject to output VAT while its purchases from other VAT-registered individuals or corporations are subject to input VAT. R.A. No. 9337 increased the VAT rate from 10.0% to 12.0%, effective February 1, 2006.

Details of the Club's net sales/receipts, output VAT and input VAT accounts are as follows:

i. Net Sales/Receipts and Output VAT declared in the Club's VAT returns

	Net Sales/ Receipts	Output VAT
Taxable sales:		
Sales of services	₱136,695,102	₱16,403,413
Membership dues collected in advance	8,546,053	1,025,526
Exempt sales	46,232,545	–
Exempt membership dues collected in advance	3,689,621	–
	₱195,163,321	₱17,428,939

ii. Input VAT

Balance at July 1, 2018	₱–
Current year's domestic purchases/payments for:	
Goods other than for resale or manufacture	3,900,634
Capital goods exceeding ₱1,000,000	356,061
Domestic purchases of services	8,745,449
	13,002,144
Applied against output tax	(13,002,144)
Balance at June 30, 2019	₱–

b. Withholding Taxes

Withholding taxes on compensation and benefits	₱190,579
Expanded withholding taxes	2,280,141
	₱2,470,720

c. Other Taxes and Licenses

Real estate taxes	₱3,350,045
Business taxes (local business tax)	1,397,650
Documentary tax	86,655
	₱4,834,350

d. Tax Assessments
The Club did not receive any final tax assessments in 2019, nor did it have tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the administration of BIR.

BEFORE	AFTER	BEFORE	AFTER


Additional Parking Space for Private Carts


Construction of Rotonda at Hole # 16 North Course

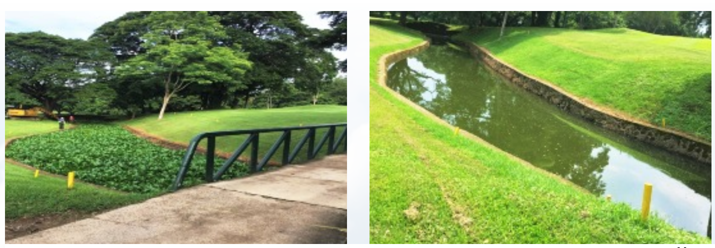

Cart Path Repair at Hole # 14 North Course

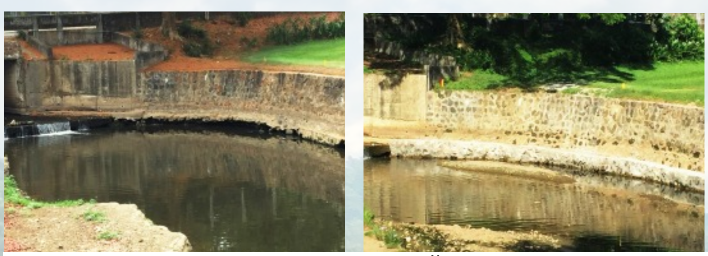

Removal of Water Hyacinth and Dredging at lagoon # 16 North Course


Construction of lay-bay at Hole # 2 North Course


Removal of Water Hyacinth at Lagoon # 17 North Course


Dredging of Lagoon #12 South Course


Removal of Water Hyacinth at Lagoon # 2 North Course


Repair of Riprap at lagoon # 12 South Course


Replacement of Garbage Bin Covers


Installation of paving blocks at Tee House # 4 North Course

Completed Projects

On Going Dredging at Lagoon # 8 North Course

Indian tree planting

Installation of filter for trash at Lagoon # 12 South Course

Installation of LayBay extension at Tee Off #13 South Course

On-Going Projects

Greens Plugging

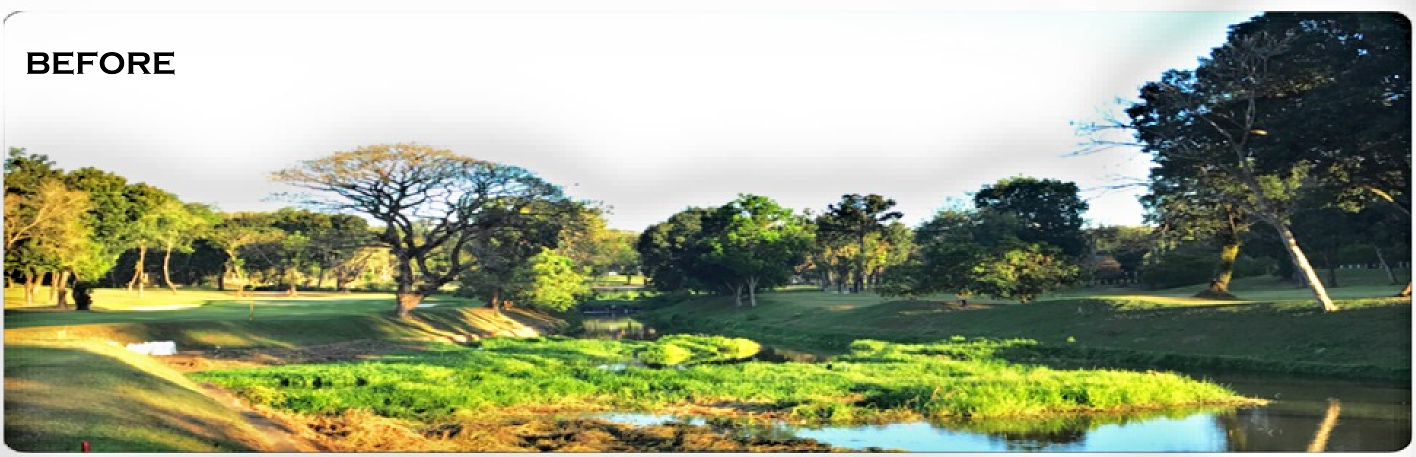
Drainage Improvement

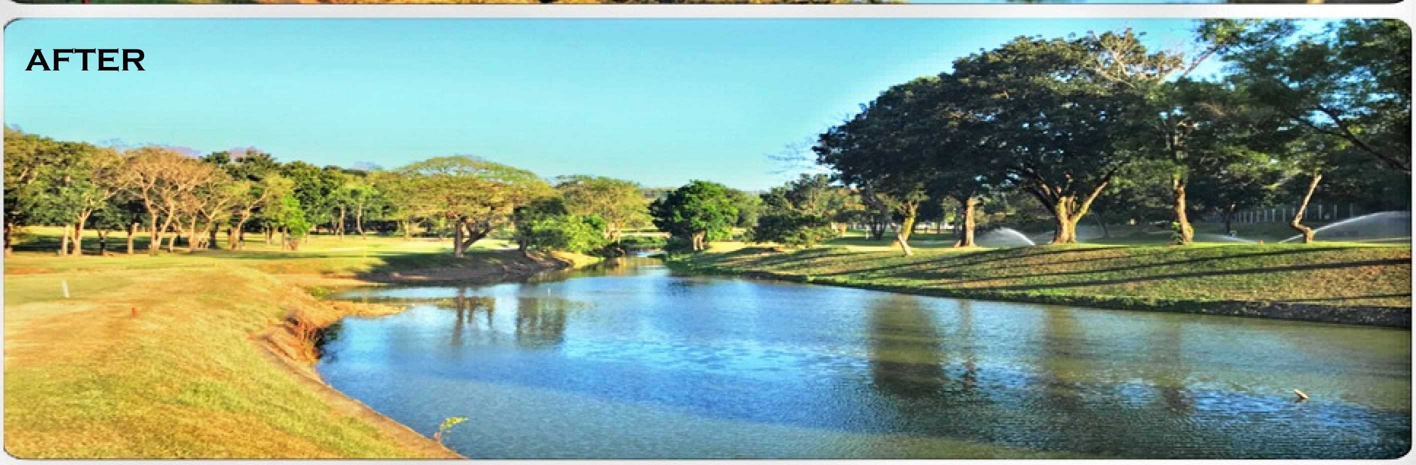
Fairway Aeration

Update on the Golf Course

Main Line Pipe Repair

Desiltation of Ponds





Club Events




20th Don Celso Tuason and Founders' Cup




63rd IntraClub Tournament

2nd Quarterly Tournament - Valley Seniors

2018 Barkadahan Tournament

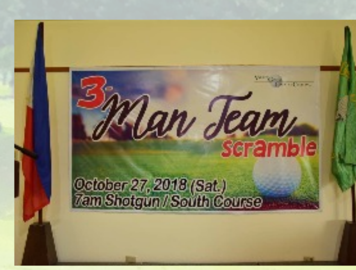

Semi-Annual Tournament


Presidents' Cup 2018


Auction of Shares


Signing of Reciprocity Agreement with Kudat Golf Club

Member-Caddy Tournament

3-Man Team Scramble

Valley Golf & Country Club, Inc.
Don Celso S. Tuason Ave., Antipolo City
(02) 658 4901 to 03
info@valleygolf.com.ph
www.valleygolf.com.ph