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Hi CAMP JOHN HAY GOLF CLUB INC,

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Transaction Code: **AFS-0-C5JJ8AH09J8598GKPV3WV32V0MZ2YY3TY**
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A1997-5628

SEC Registration Number

CAMP JOHN HAY GOLF CLUB, INC.
(NON-STOCK CORPORATION)

(Company's Full Name)

The Clubhouse, Golf Club Drive,
Camp John Hay, Loakan Road,
Baguio City

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

**Judson D Eustaquio**

(Contact Person)

**(074) 444-3493**

(Company Telephone Number)

**12** **31**

*Month* *Day*

(Calendar Year)

**SEC Form 17-A**

(Form Type)

**May 13**

*Month* *Day*

(Annual Meeting)

**Not Applicable**

(Secondary License Type, If Applicable)

**SEC**

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

**2,500**

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17 -A**

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

1. For the calendar year ended **31 December 2021**

2. SEC identification number **A1997-5628**

3. BIR Tax Identification No. **004-595-560**

4. Exact name as specified in its charter: **CAMP JOHN HAY GOLF CLUB, INC.**

5. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**

6. Industry Classification Code: ____________ (SEC Use Only)

7. Address of principal office: **The Clubhouse, Golf Club Drive, Camp John Hay, Loakan Road, Baguio City, Philippines 2600**

8. Issuer's telephone number, including area code: **(074) 424-3493**

9. Former name, former address, and former fiscal year, if changed since last report **Not Applicable**

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

| **Title of each Class** | **Number of Membership Certificates outstanding** |
|---|---|
| Regular Memberships Inclusive of Ten Founders' Memberships | 2,500 |
| Local Playing Rights | 39 |

11. Are any or all of the securities listed on the Philippine Stock Exchange?

    Yes [ ] No [ **X** ]

12. Indicate by check mark whether the issuer:

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

    Yes [ **X** ] No [ ]

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

    Yes [ **X** ] No [ ]

13. Aggregate Market Value of the Voting Stock held by non-affiliates of the registrant.
    Not Applicable.

**CAMP JOHN HAYGOLF CLUB, INC.**
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**SEC FORM 17-A**

## PART I – BUSINESS AND GENERAL INFORMATION

### Item 1. Business

Camp John Hay Golf Club, Inc. (the "Club" or "CJHGC") was incorporated as a non-stock corporation on April 3, 1997 and was granted by the Securities and Exchange Commission ("SEC") permission to offer and sell its securities to the public on May 2, 1997.

The Club was organized exclusively for the promotion of social, recreational and athletic activities on a non-profit basis for its members. Being an exclusive membership club, the target market is its members, their dependents and guests. As a non-profit entity, the Club generates revenues mainly in the form of membership dues, green fees/tournament fees and golf cart, which represent 67%, 8% and 6%, respectively, of the total operating revenues earned this year. Revenues generated are used to meet the expenses of its general operations, and the maintenance and improvement of its premises and facilities. No part of its income inures to the benefit of any officer, member or private individual.

The Club is in competition with other golf courses, especially those located north of Metro Manila. In terms of direct competition, there is only one other golf club in Baguio City – the Baguio Country Club. However, the Club sees the presence of an existing golf course as complimentary to the Club because golf enthusiasts are given not only a choice between the two golf courses, but actually the opportunity to play in two distinctly different golf courses in the City of Baguio. As such, both clubs actually complement each other towards the improvement of local tourism in Baguio City by offering alternative golfing facilities to the public.

The Club's clubhouse restaurant is being operated and handled by Le Chef, Inc. since November 17, 2009. In April 2015, the Club hired Eboueurs General Services, Inc. ("EGSI") for the Club's golf cart rental services replacing Maximus Golf Cart Services Corporation. In January 2019, the Club was notified of the acquisition of EGSI by IEE LTD. CO. ("IEE"). Nevertheless, the former officers of ESGSI are the same partners who composed the IEE. In November, 2019, the agreement with EGSI was terminated and the Club operated its own golf cart rental services.

The Club started billing membership dues in March 2000. On April 15, 2002, the Club became a registered enterprise in the John Hay Special Economic Zone (JHSEZ) in accordance with Republic Act (R.A.) No. 7227, known as the Bases Conversion and Development Act of 1992 (the Act), Presidential Proclamation No. 420, Customs Administrative Order No. 2-98, Bureau of Internal Revenue (BIR) Revenue Regulations (RR) No. 1-95, as amended, and the Implementing Rules and Regulations (IRR) of R.A. No. 7227. As such, the Club enjoys all the rights, privileges and benefits established under the Act and its IRR, which include, among others, a preferential rate of 5% of gross income earned in lieu of all local and national taxes, tax-and-duty free importations of raw materials, capital equipment and household and personal items pursuant to Sections 12(b) and 12(c) of the Act.

On October 24, 2003, the Supreme Court En Banc promulgated a decision nullifying the regime of tax and duty exemptions, as well as financial incentives and other privileges within the JHSEZ conferred by Section 3 of Proclamation No. 420 for being violative of Article VI, Section 28 (4) of the Philippine Constitution.

On March 20, 2007, President Gloria Macapagal-Arroyo approved R.A. No. 9400, "An Act Amending R.A. No. 7227, as amended, otherwise known as the Bases Conversion and Development Act of 1992 and for Other Purposes," which restores the preferential income tax rate of 5% of registered enterprises within the freeport and special economic zones including JHSEZ. In addition, the President approved R.A. No. 9399, "An Act Declaring a One-Time Amnesty on Certain Tax and Duty Liabilities, Inclusive of Fees, Fines, Penalties, Interests and Other Additions Thereto, Incurred by Business Enterprises Operating Within the Special Economic Zones and Freeports," which provides that business enterprises may avail themselves of the benefits of remedial tax amnesty granted on tax and duty liabilities, including fines and penalties and interests incurred or which might have been incurred as a result of the SC rulings on the tax exemptions. R.A. No. 9399 also provides that business enterprises in the said areas are required to pay P25,000 within six months from the effectivity of the law. R.A. No. 9399 was a combination of Senate Bill No. 2259 and House Bill No. 4901.

In 2007, pursuant to R.A. No. 9400 and the issuance to the Club of a Certificate of Registration ("COR") from John Hay Management Corporation (JHMC), the Club adopted the 5% preferential income tax treatment on its Gross Income as provided by R.A. No. 7227 and changed its registration with the BIR effective May 15, 2007 from value-added tax (VAT) taxpayer to non-VAT taxpayer.

Consequently, the Club adopted the 5% preferential income tax treatment on its Gross Income as provided by R.A. No. 7227. The IRR of R.A. No. 9400 was later issued on February 13, 2008 by the Department of Finance through Department Order No. 3-08.

The Club's Certificate of Registration expired on November 19, 2013. It has since applied for the renewal of the said registration and, accordingly, submitted all requirements and paid all fees to JHMC. As of April 22, 2020, JHMC has not acted on the Club's renewal application.

In view of the release of the award in CJH Development Corporation ("CJH DevCo") v. Bases Conversion and Development Authority ("BCDA"), PDRCI Case No. 60-2013, on February 11, 2015 as fully discussed in Note 28 to the financial statements, such renewal of the COR is not forthcoming because of the rescission of the Contract of Lease ("COL") between CJH DevCo and BCDA due to the parties' mutual breach.

Significantly, in the same award, the Arbitral Panel did not uphold the BCDA's earlier rescission of the COL in July 2014, which the JHMC cited as the reason for the non-renewal of the COR. There was no more reason, therefore, for the JHMC to have withheld the COR for 2014.

In 2015, the Club's management and Poblador Bautista & Reyes Law Offices ("PBR") determined that the non-issuance/renewal by JHMC of the Club's COR removes the Club's entitlement to the incentives associated with the JHSEZ. As such, it became subject to income tax as an ordinary corporation and cannot avail itself of the 5% "in lieu of all taxes" preferential tax rate. It likewise became subject to 12% VAT, as opposed to zero-percent (0%) VAT had the Club's COR been renewed.

On June 2, 2016, the Club processed its VAT registration and started to recognize output tax on its revenues starting in August 2016. In addition, the Club applied the 30% regular corporate income tax rate in computing its income taxes.

On August 13, 2019, the Supreme Court ("SC") under SC G.R. No. 228539 issued a decision on whether the membership fees, assessment dues and fees of similar in nature collected by clubs which are organized and operated exclusively for pleasure, recreation and other non-profit purposes are subject to income tax and VAT. Under this ruling, as long as the membership fees, assessment dues and the like are treated as collections by recreational clubs from their members as an inherent consequence of their membership, and are, by nature, intended for the maintenance, preservation, and upkeep of the club's general operations and facilities, the fees cannot be classified as income subject to tax.

In addition, the SC supported the position that these fees are not subject to VAT because in collecting such fees, the club is not selling its service to the members. Conversely, the members are not buying services from the club when dues are paid. Hence, there is no economic or commercial activity to speak of as these dues are devoted for the operations and maintenance of the facilities of the club. Accordingly, starting September 2019, the Club has not been charging VAT on its monthly dues, membership, assignment and transfer fees. These are also exempt from income tax.

There were no disbursements for research and development activities by the Club during the last five (5) fiscal years.

The Club has all the necessary permits and clearances from the Department of Environment and Natural Resources ("DENR") for its operations. To this end, the Club continues its tree planting projects and reforestation activities. Development of the golf course and other support facilities are done in cooperation with the Camp John Hay Development Corporation, the John Hay Management Corporation, the DENR, and the Baguio City Council in order to ensure the

Club's compliance with environmental laws, and also to address the socio-economic concerns of Baguio City and its surrounding municipalities.

As of December 31, 2021, the Club has 44 employees working full time and 16 outsourced personnel performing cleaning services and landscaping maintenance. The required manpower for the operations of the Club has been met and there is no expected future hiring of regular employees. However, the Club usually hires casual employees especially in its Golf Operations and Engineering Department during peak seasons when different tournaments are held.

**Item 2. Properties**

By virtue of an April 3, 1997 Deed of Assignment between CJH DevCo (as the Assignor) and the Club (as the Assignee), the Club agreed to issue and deliver 2,500 regular membership certificates and 200 non-membership playing rights to CJH DevCo for and in consideration of the latter's assignment of the beneficial rights to the use and possession of the golf course and the clubhouse.

The property being re-developed for the golf course, clubhouse, and related amenities of the Club is part of the property being leased by CJH DevCo from the BCDA under an October 19, 1996 Lease Agreement between CJH DevCo and the BCDA.

The re-development of the 18-hole golf course is complete. With reference to the land contributed by the project's developer, all of the 48.4276 hectares of land assigned by the developer of the Club has been utilized for the development of the golf course. This is one of the sixteen (16) clusters subject for development under the John Hay Master Development Plan. The Club's property is not mortgaged, and is free from any and all liens and/or encumbrances.

The clubhouse was transferred to the Club on December 1, 2001. In February 2003, the golf cart building was completed and likewise turned-over to the Club. The cost and corresponding depreciation of these buildings are reflected in the Audited Financial Statements ("AFS") of the Club. The Halfway House building was opened in April 2003. Its cost and depreciation have likewise been recorded in the AFS of the Club.

**Item 3. Legal Proceedings**

The Registrant is one of many respondents in a Petition for Review on Certiorari filed by the Bases Conversion and Development Authority (BCDA) before the Supreme Court in G.R. No. 219421.

This case originated from the award issued by the Arbitral Panel in the Arbitration case of CJH Development Corporation v. Bases Conversion and Development Authority, PDRCI Case No. 60-2012 dated 11 February 2015. In said Arbitration proceedings, the Arbitral Panel declared the Original Lease Agreement and the Revised Memorandum of Agreement between CJH Development Corp. (CJHDevCo) and the BCDA as rescinded due to the mutual breach of both the BCDA and CJHDevCo, and directed CJHDevCo to turn-over Camp John Hay to the BCDA. The Arbitral Panel dismissed BCDA's claim of over P3 Billion in alleged back rentals declaring them as legally not due and demandable from CJHDevCo. BCDA was in turn ordered to pay CJHDevCo Php 1.4 Billion by way of returning all rentals which CJHDevCo has paid to the BCDA. The said award had already been confirmed by the Regional Trial Court of Baguio City, and the necessary Writ of Execution had already been issued.

Even though it was not a party to the arbitration proceedings between CJHDevCo and BCDA, the said Writ of Execution and Notice to Vacate were served on Registrant directing it to vacate Camp John Hay. Finding the same as constituting grave abuse of discretion amounting to a lack or excess of jurisdiction, the Registrant filed a Petition-in-Intervention for Certiorari and Prohibition (With Urgent Application for the Issuance of a Writ of Preliminary Injunction) before the Court of Appeals (CA) praying that it be allowed leave to intervene in the Petition filed by CJHDevCo against BCDA in CA-G.R. SP No. 140422, and that the CA issue a writ of preliminary injunction enjoining the implementation and execution of the Notice to Vacate and Writ of Execution against it.

On May 19, 2015, the CA issued a Temporary Restraining Order (TRO) against the implementation of the Writ of Execution and the enforcement of the Notice to Vacate.

On July 30, 2015, the CA issued a Decision annulling and setting aside, as against the Registrant, the said Writ of Execution and Notice to Vacate. The CA likewise directed BCDA to respect and not to disturb the various contracts of third parties occupying the leased CJH premises, which includes the premises of the Golf Club.

However, BCDA appealed the CA's Decision to the Supreme Court via a Petition for Review on Certiorari. Registrant was made a respondent therein. The case was docketed as G.R. No. 219421 and remains pending to date.

Significantly, the Club possesses the Clubhouse, the golf course, and the appurtenant facilities in accordance with the Registration Statement which was filed with and was approved by the SEC. The Club and its members could use the said facilities and premises until 2046. The Club is a third party to the arbitration stated above and, as such, should not be affected by the same. The BCDA, however, is of the opinion that the Club should vacate the premises it occupies.

Registrant is also a party to an intra-corporate case initiated by some members (two of which have already withdrawn as plaintiffs) questioning the Registrant's authority to impose special assessments. The dispute is in relation to the Registrant's imposition of a 24-month PhP1,000 special assessment in late 2014. The case is entitled Benjamin G. Favis, et al. v. Camp John Hay Golf Club, Inc. and docketed as Civil Case No. 8423-R. In September 2018, the Registrant filed a Motion for Summary Judgment arguing that there were no genuine issues raised by the Plaintiffs. The parties filed their respective memoranda last October 2018 and are now awaiting the decision of the Regional Trial Court, Branch 5 of Baguio City.

**Item 4. <u>Submission of Matters to a Vote of the Security Holders</u>**

The Registrant held its Annual Membership Meeting on May 14, 2021 at the Clubhouse in Baguio City. A majority of the outstanding members, who are in good standing, attended the meeting either in person or by proxy.

The following are the results of the discussions/votes – on matters which were required to be voted upon - during the said meeting:

1. The Management's Report and Audited Financial Statements were noted and approved.

2. The firm Isla Lipana as the Registrant's External Auditor.

3. All acts of the Board of Governors and the management of the Club were approved.

4. The following were elected as Governors for the ensuing year and until their successors shall have been elected and qualified:

   *Board of Governors:*
   a. Robert John L. Sobrepeña – Chairman
   b. Ferdinand T. Santos – President
   c. Rafael Perez de Tagle, Jr.
   d. Gulshan Bedi
   e. Francisco C. Gonzalez
   f. Alfredo M. Mendoza
   g. Ramon Luis F. Garcia - Independent Governor
   h. Mario V. Benitez, Jr. - Independent Governor
   i. Jaime M. Cacho
   j. Mauricio G. Domogan

## PART II – OPERATIONAL AND FINANCIAL INFORMATION

### Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Market Information

The Club is a non-stock corporation. The membership in the Club is divided into Two Thousand Five Hundred (2,500) regular memberships, inclusive of ten (10) founders' memberships. Likewise, the Club may grant playing rights to 200 persons who satisfy the qualifications set in the Club's Articles of Incorporation and By-Laws. According to the stock and transfer records as at December 31, 2021, there are 2,500 memberships issued and outstanding, and 39 local playing rights granted.

The Club's golf memberships are not traded in the Philippine Stock Exchange. The golf memberships are sold to individuals and corporations through the marketing arm of the developer, CJH DevCo.

Membership Prices (Philippine Pesos)

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | High | Low | High | Low |
| First Quarter | 150,000 | 150,000 | 190,000 | 190,000 |
| Second Quarter | 200,000 | 150,000 | 190,000 | 190,000 |
| Third Quarter | 300,000 | 150,000 | 190,000 | 150,000 |
| Fourth Quarter | 280,000 | 250,000 | 220,000 | 130,000 |

*Source: GGandA Club Shares Report*

Holders of Memberships

Top 20 Shareholders as at December 31, 2021:

| Rank | Name | No. of Memberships held | % to Total |
|---|---|---|---|
| 1. | CJH Development Corporation | 1,237 | 49.48% |
| 2. | Philippine Veterans Bank | 49 | 1.96% |
| 3. | Incorporated College Assurance Plans | 22 | 0.88% |
| 4. | Bank of Commerce - Trust Services Group As Trustee for College Assurance Plan Phils., Inc. | 13 | 0.52% |
| 5. | Bank of Commerce - Trust Service Group As Trustee for Comp. Annuity Plans and Pension Corp. | 12 | 0.48% |
| 6. | Weetee S. Lato | 4 | 0.16% |
| 7. | Agus Development Corp. | 3 | 0.12% |
| 8. | Tree Land Development & Resources, Inc. | 3 | 0.12% |
| 9. | Robert John Lamb Sobrepeña | 2 | 0.08% |
| 10. | Manuel M (Jeweller) Cojuangco | 2 | 0.08% |
| 11. | Columbian Motors Corporation | 2 | 0.08% |
| 12. | Metropolitan Bank Trust Corporation | 2 | 0.08% |
| 13. | Phelps Dodge Phils., Inc. | 2 | 0.08% |
| 14. | Pilipino Telephone C | 2 | 0.08% |
| 15. | Manuel A. Roxas | 2 | 0.08% |
| 16. | San Miguel Corporation | 2 | 0.08% |
| 17. | SM Investments Corporation | 2 | 0.08% |
| 18. | Isabel C. Suntay | 2 | 0.08% |
| 19. | Universal Rightfield Property Holdings, Inc. | 2 | 0.08% |
| 20. | Manuel B. Zamora | 2 | 0.08% |

Dividends
Not applicable.

Recent Sales of Unregistered Securities
Not applicable.

**Item 6. Management's Discussion and Analysis of Financial Position**

Statement of Financial Position

The Club's total assets amounted to ₱394.993 million as at December 31, 2021 which is a decrease of 6% or ₱25.783 million compared to the ₱420.777 million of the previous year. This is mainly due to the decrease in the net book value of its properties and equipment by ₱28.313 million, from ₱ 400.765 million to ₱372.452 million.

Current assets increased by 13% or by ₱2.529 million from ₱20.011 million in 2020 to ₱22.542 million in 2021 mainly due to the increase in cash.

Cash amounted to ₱9.609 million in 2021 which increased by 125% or by ₱5.332 million compared to ₱4.277 million balance in 2020 due to the collection of one-year advance payment of membership dues from members for 2022. Accounts receivable decreased from ₱8.106 million in 2020 to ₱5.920 million in 2021, a decrease of 27% or ₱2.187 million compared to the previous year.

Inventories amounted to ₱2.634 million in 2021 which decreased by 29% or by ₱1.089 million from ₱3.724 million in 2020. Prepayments and other current assets however increased to ₱3.088 million from the previous year's ₱2.623 million.

The Club's total liabilities amounted to ₱122.089 million as at December 31, 2021 which is lower by 13% or by ₱17.798 million compared to ₱139.887 million of the previous year. This is mainly due to the non-current liabilities which decreased by 20% or by ₱19.275 million, from ₱94.362 million to ₱75.087 million.

Current liabilities as of December 31, 2021 amounted to ₱47.002 million which is a slight increase of 3% or ₱1.476 million from the ₱45.525 million of the previous year. Accounts payable and other current liabilities increased by 7% or by ₱2.867 million from ₱38.529 million in 2020 to ₱41.653 million in 2021.

The Club's non-current liabilities were stated at their fair values using the prevailing market rate at the dates of the respective transactions. This includes refundable deposits, accrued retirement benefits and deferred income tax liabilities. Accrued retirement benefits amounted to ₱4.756 million as at December 31, 2021 which is about the same with the previous year's ₱4.790 million.

Refundable deposits refer to the ₱0.025 million Golf Club Maintenance Deposit ("GCMD") paid by every golf club member for golf course upkeep, maintenance, and other related golf club expenses. The GCMD will be returned to the Club members at the end of the Club's lease term in 2047. Refundable deposits, due to their long-term nature, have been discounted to their present value. The difference between the gross amount of deposits and their present value is amortized over the term of the lease, thereby recognizing interest income using the effective interest rate prevailing at the time the liability was established. The amount of discounted deposit is accreted to the estimated future liability based on the effective interest rate method. Interest expense on accretion is recognized directly in the statement of comprehensive income. There were 26 GCMD payments received in 2021

Statement of Comprehensive Income

The Club had a net income before depreciation and income tax of ₱8.258 million in 2021 which is a 375% or ₱11.259 million turnaround from the net loss before depreciation, income tax and other income of ₱3.002 million in 2020. As compared to 2019 however, this is lower by 56% or by ₱10.444 million. After depreciation, income tax and other income, the Club had a net loss of ₱7.667 million in 2021 which lower by 73% or by ₱21.096 million from ₱28.763 million in 2020.

Total receipts of the Club amounted to ₱68.589 million in 2021, which is lower than the

₱66.220 million in 2020 by 4% or by ₱2.369 million and also lower than the ₱77.750 million revenues registered in 2019 by 12% or by ₱9.161 million. This includes member's assessments for membership dues and Club fees and revenues from the Club's operations. Membership dues amounted to ₱46.226 million which is higher by 5% or by ₱2.118 million compared to the ₱44.108 million in 2020. Membership activation fees is also higher by 54% or by ₱0.925 million from ₱1.700 million in 2020 to ₱2.625 million in 2021. Moreover, assignment and transfer fees is higher by 105% or by ₱1.650 million from ₱1.575 million in 2020 to ₱3.225 million in 2021.

Green fees and tournament fees amounted to ₱5.319 million in 2021, lower by 59% or by ₱7.759 million compared to the ₱13.007 million in 2020. Merchandise sales of ₱1.802 million in 2021 is also lower by 18% or by ₱0.407 million compared to ₱2.209 million in the previous year. On the other hand, driving range revenue and golf cart rentals in 2021 of ₱4.379 million is higher by 25% or by ₱0.885 million compared to the ₱3.494 million in 2020. Unused consumables recorded in 2021 amounted to ₱5.014 million which includes the consumables from 2020 of ₱1.977 million forfeited on March 31, 2021.

Cost of goods sold and services in 2021 amounted to ₱47.970 million while operating expenses other than depreciation amounted to ₱12.372 million which are lower than the previous year of ₱55.476 million and ₱13.969 million, respectively. In 2019, cost of goods sold and services amounted to ₱65.404 million while operating expenses other than depreciation was at ₱20.187 million.

Materials, supplies and facilities costs is lower by 76% or by ₱7.534 million with ₱9.882 million in 2020 and ₱2.348 million in 2021. Communication, light and water costs is lower by 36% or by ₱1.622 million, ₱4.536 million in 2020 and ₱2.914 million in 2021. Costs of outside services is also lower by 20% or by ₱0.639 million, ₱2.544 million in 2020 and ₱3.183 million in 2021. On the other hand, repairs and maintenance is higher by 8% or by ₱1.676 million with the ₱20.571 million in 2020 to ₱22.246 million in 2021. Security services is higher by 5% or by ₱0.217 million, ₱3.965 million in 2020 to ₱4.182 million in 2021. Personnel costs is higher by 4% or by ₱0.485 million with ₱11.979 million in 2020 to ₱12.465 million in 2021.

The Club had other income in the amount of ₱0.775 million in 2021, ₱0.084 million in 2020 and ₱27.147 million in 2019. Other income includes income from venue rentals, private golf cart storage, private locker rentals and unrealized fair value gain of the Club's UITF.

In 2021 interest income of ₱0.393 million is lower by 71% or by ₱0.980 million compared to ₱1.373 million in 2020. Interest expense of ₱1.158 million in 2021 is lower by 6% or by ₱0.076 million. This is primarily due to the interest expenses incurred on the payment of the finance lease acquired by the Club for the purchase of various golf equipment as well as of one unit of transportation equipment for use as employees' shuttle. Interest expense also includes movements in refundable deposit accretion of interest as a result of the cancellation of GCMD payments from auctioned and terminated memberships in 2021. Provision for current income tax pertains to final tax on interest income from savings deposits and minimum corporate income tax amounting to ₱0.108 million for 2019 and none for 2020 and 2021.

The accounting policies adopted by the Club are consistent with those of the previous financial year. Last December 31, 2016, the Club changed the method of accounting for its golf course development asset which is reflected as part of Property and Equipment account. Prior to 2017, the golf course development asset was accounted for using the cost model.

<u>Top Five (5) Key Performance Indicators</u>

The Club identifies its top five (5) key performance indicators as follows: 1) working capital; 2) current ratio; 3) base equity; 4) collections from membership dues and consumables; and 5) earnings before taxes and depreciation ("EBTD").

Working Capital (current assets less current liabilities) and current ratio (current assets over current liabilities) measures the liquidity or short-term debt paying ability of the Club. Having a positive working capital and a current ratio of 1:1 is an indication of liquidity while base equity (members' equity over total liabilities and members' equity) of at least 25% measures the level of dependence of the Club on its members or creditors in meeting its financial obligations.

As at December 31, 2021, the Club had a working capital deficiency of ₱24.461 million which is lower compared to the working capital deficiency of ₱25.514 million in 2020. The decrease in the deficiency of ₱1.053 million is mainly due to the increase in cash and decrease in payables. The base equity ratio of the Club in 2021 is at 69% and is higher as compared to last year's 67%.

Collection from members (monthly dues and other charges) amounts to ₱64.481 million and ₱ 54.910 million in 2021 and 2020, respectively. The increase is mainly due to higher monthly dues billed and collected from members during the year 2021.

For the year 2021, the Club has a ₱8.258 million net income before taxes and depreciation compared to the net loss of ₱3.004 million in 2020 and P=18.702 million net income in 2019.

**Audit and Audit-Related Fees**

The Club incurred ₱0.330 million including out-of-pocket expenses for the 2021 audit. For the past years 2020 and 2019, the Club paid the same amount to Isla Lipana & Co. and Sycip Gorres Velayo and Co., respectively, for the audit of the Club's annual financial statements. These expenses are properly reflected in the Club's audited financial statements under professional fees.

**All Other Fees**

None.

As provided in the Club's Manual on Corporate Governance, the Audit Committee pre-approves all audit plans, scope and frequency which are discussed and presented by the external auditor one (1) month before the conduct of external audit.

**Membership**

Membership composition as at December 31, 2021, as follows:

| | |
|---|---|
| a. Regular Memberships | 2,500 |
| b. Playing rights | 39 |

**Prospects for the Future**

The key sources of liquidity of the Club are the revenues generated from membership dues, green fees, transfer fees and other golf-related activities.

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 as a global pandemic. The outbreak had a material impact on the Club's 2020 financial results and even periods thereafter. The Club is not involved in any business combination nor does it have subsidiaries. It does not maintain long-term investments. The Club has no material off-balance sheet transactions, arrangements, or obligations (including contingent obligations). The Club has made no relationships with unconsolidated entities or other persons during the reporting period.

There are no manifest trends, events, or uncertainties that would give rise to a material impact on revenues or income from continuing operations of the Club as at December 31, 2020. Neither are there evident causes or plans that would have a material impact in one or more items of the Club's financial statements. The Club does not have any material commitment for capital expenditures.

In general, the prospects of the Club for the future are quite optimistic and since there are no significant uncertainties surrounding the business, Camp John Hay Golf Club, Inc. is expected to be a strong competitor in the golf club market.

The fact that Baguio City is typically affected by rain for more than half of each year is already known to both existing and prospective members of the Club. Thus, this fact is not expected to have any material impact on the Club's operations. The occurrence of major fortuitous events, like typhoons and earthquakes, however, continue to pose a risk to the Club's operations.

**Item 7. <u>Financial Statements</u>**

The financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules (page 18) are filed as part of this Form 17-A (pages 19-103).

**Item 8. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>**

None.

## PART III – CONTROL AND COMPENSATION INFORMATION

**Item 9. <u>Directors and Executive Officers of the Registrant</u>**

The following are the names of all incumbent governors and executive officers of the Club:

| Name | Position | Citizenship | Age | Dir./Off. Since |
|---|---|---|---|---|
| Robert John L. Sobrepeña | Chairman/Governor | Filipino | 67 | 1997 to 2021 |
| Ferdinand T. Santos | President/Governor | Filipino | 67 | 1997 to 2021 |
| Rafael Perez de Tagle, Jr. | Treasurer/Governor | Filipino | 67 | 1997 to 2021 |
| Gulshan Bedi | Governor | Filipino | 57 | 2019 to 2021 |
| Francisco C. Gonzalez | Governor | Filipino | 78 | 1999 to 2021 |
| Alfredo M. Mendoza | Governor | Filipino | 72 | 2009 to 2021 |
| Ramon Luis F. Garcia | Ind. Governor | Filipino | 59 | 2016 to 2021 |
| Mario V. Benitez, Jr. | Ind. Governor | Filipino | 67 | 2015 to 2021 |
| Jaime M. Cacho | Governor | Filipino | 65 | 2020 to 2021 |
| Mauricio G. Domogan | Ind. Governor | Filipino | 75 | 2016-2014; 2020 to 2021 |
| Gilbert Raymund T. Reyes | Corporate Secretary | Filipino | 63 | 2004 to 2021 |
| Raymund M. C. Rodriguez | Assistant Corp. Secretary/ Compliance Officer | Filipino | 56 | 2004 to 2021 |

<u>Term of Office</u>

The term of office of the Governors and Elected Officers is one (1) year from their election as such until their successors are duly elected and qualified.

<u>Business Experience of the Governors and Executive Officers during the past five (5) years</u>

Members of the Board of Governors are as follows:

**MR. ROBERT JOHN L. SOBREPEÑA,** the Chairman of the Board of Governors of the Registrant, is also the Chairman of the Board of Directors of Fil-Estate Management, Inc., Metro Rail Transit Corporation (MRTC), Metro Rail Transit Development Corp. (MRTDC), The Manila Southwoods Golf & Country Club, Inc., Asia Pacific Corp., and CJH Development Corp. He is also Chairman of Metro Global Holdings Corp., which is publicly listed in the Philippine Stock Exchange. He is also the president of Forest Hills Golf & Country Club, Inc.

**ATTY. FERDINAND T. SANTOS** is the Chairman of the Board of Directors of Forest Hills Golf & Country Club, Inc. He is also the President of the Registrant, Fairways & Bluewater Resort Golf & Country Club, Inc., Fil-Estate Urban Development Corp., Metro Global Holdings Corp., CJH Development Corp., CJH Hotel Corp. and CJH Suites Corp. He is also a Director of The Manila Southwoods Golf & Country Club, Inc.

**MR. RAFAEL PEREZ DE TAGLE, JR.** is the Executive Vice-President and Chief Operating Officer of Metro Rail Transit Development Corp (MRTDC). He is also the Treasurer of The Manila Southwoods Golf & Country Club, Inc. and Forest Hills Golf and Country Club.

**GULSHAN BEDI** is presently the Executive Vice President of Operations of CJHDevCo. He also served as Senior Vice President of CJH Hotel Corporation for the past ten years.

**MR. FRANCISCO C. GONZALEZ** is a director of The Manila Southwoods Golf & Country Club, Inc. He is also the Chairman of the Board and CEO of Romago, Inc., Fabriduct & Metal Systems Inc., and Electro Mechanical Products International, Inc.

**MR. ALFREDO M. MENDOZA** is the Managing Director and President of CargoAire Freight Forwarders, Inc., CargoAire Maritime Corp. and Cyclo Air Systems Technology, Inc. He is also a director of The Manila Southwoods Golf and Country Club, Inc.

**MR. RAMON LUIS F. GARCIA** is the President of Afuengar Corporation. He is also the owner of RLFG Food Services and from March 2002 to March 2014, has opened and operated restaurants in Baguio City and Fort Bonifacio Global City, Taguig City namely - Brod Pit Bar and Grill, Katsutori Japanese Restaurant, The Backyard, Brod Pit Grill (in SM) and Brod Pit Grill (Market Mall, BGC, Taguig City).

**MR. MARIO V. BENITEZ, JR.** is the Managing Director of John Hay Coffee Services and a Director of the Hotel and Restaurant Association of Baguio (HRAB).

**MR. JAIME M. CACHO** is the President and Chief Operating Officer of Metro Countrywide Corporation. He is the Head of Project Development and Management Services of Fil-Estate Management, Inc. He is also a Director of Metro Global Holdings Corporation and the President and Chief Operating Officer of Metro Global Renewable Energy Corporation. He has 37 years of top-level management and construction experience in various organizations during his career.

**ATTY. MAURICIO G. DOMOGAN** is the Chairperson of the House Committee of the Issuer from 2009 to present. Atty. Domogan previously served as Independent Governor from 2006 to 2014 and as Chairperson of the Membership Committee from 2006 to 2007. He is currently engaged in the private practice of law in his own firm, Domogan and Associates Law Office. From 1988 to 2019, he was elected as Baguio City Councilor, Vice Mayor, Mayor, and Congressman.

**ATTY. GILBERT RAYMUND T. REYES** is a Founding Partner of Poblador Bautista & Reyes Law Offices and the Chairman of the Board of Governors of the U.P. Vanguard, Inc. He is also the Corporate Secretary of Levi Strauss Philippines, Inc., CJH Development Corporation, CJH Hotels, Inc., CJH Suites, Inc., and Southeast Asian Colleges, Inc. He is also Treasurer of Common Area (Philippines), Inc., Sleep Well Land Development Corp. and Sleep Well More Fun Corp. He also serves as the Compliance Officer of The Manila Southwoods Golf & Country Club, Inc.

**ATTY. RAYMUND MARTIN C. RODRIGUEZ,** the Assistant Corporate Secretary of the Registrant, is a Senior Partner in Poblador Bautista and Reyes Law Offices. He is also the Corporate Secretary of Levi Strauss Philippines, Inc., CJH Development Corporation, CJH Hotels, Inc., CJH Suites, Inc., and Southeast Asian Colleges, Inc. He is also Treasurer of Common Area (Philippines), Inc., Sleep Well Land Development Corp. and Sleep Well More Fun Corp. He also serves as the Compliance Officer of The Manila Southwoods Golf & Country Club, Inc.

**Other Directorships Held in Reporting Companies**

Mr. Robert John L. Sobrepeña, - Co-Chairman of the Board of Directors of Global Estate Resorts, Inc. and Chairman of the Board of Directors of Metro Global Holdings Corp., President and Director of Forest Hills Golf & Country Club, Inc.

Atty. Ferdinand T. Santos - Chairman of the Board of Directors of Forest Hills Golf & Country Club, Inc., Director and President of Metro Global Holdings Corporation, and President of Fairways and Bluewater Resort Golf and Country Club, Inc.

Mr. Rafael Perez De Tagle, Jr. - Director, Metro Global Holdings Corporation, Vice-Chair, Metro Solar Power Solutions, Inc. Director, The Manila Southwoods Golf & Country Club, Inc., and Director and Treasurer of Forest Hills Golf & Country Club, Inc.

Mr. Jaime M. Cacho - Director of Metro Global Holdings Corp..

Family Relationship

There are no family relationships among the remaining governors and officers.

Other Significant Employees

1) **MR. TIMOTHY ALLEN AVRAMIDIS** has been the Registrant's General Manager since 4 July 2014 but has been on indefinite leave since 29 March 2021.

2) **MR. JUDSON D. EUSTAQUIO** assumed the position of Assistant General Manager of the Registrant since 15 September 2021.

3) The Registrant has an Internal Auditor in the person of **MR. RODEEN A. CORPUZ** pursuant to Section 2.2.2.2.3 of the Registrant's New Manual on Corporate Governance.

## Item 10. Executive Compensation

| Name and Position | Year | Salary | Bonus | Other Annual Compensation |
|---|---|---|---|---|
| Robert John L. Sobrepeña<br>Chairman and Governor | 1997-2021 | None | None | None |
| Atty. Ferdinand T. Santos,<br>President and Governor | 1997-2021 | None | None | None |
| Rafael Perez de Tagle, Jr.<br>Treasurer and Governor | 1997-2021 | None | None | None |
| Timothy Allen Avramidis,<br>General Manager | 2014-2021 | 750,000 | 62,500 | None |
| Judson D. Eustaquio<br>Assistant General Manager | 2021 | 120,000 | 35,000 | None |
| All officers and directors as a group unnamed | 2000-2020 | None | None | None |

The Club's By-Laws do not provide for a salary for the members of the Board of Governors. Their compensation instead, consists in: (a) exemption from the payment of monthly dues and locker rentals; (b) 40 rounds of free green fees per year; (c) reserved parking; and (d) monthly consumable allowance of P3,000 pesos for food and beverage, golf cart rentals, and other golf-related charges within the Club. In order to avail themselves of the foregoing, they must, however, attend the monthly meetings of the Board of Governors.

Besides the foregoing, no further action is to be taken with regard to any bonus, profit-sharing or other compensation plan, contract or arrangement, any pension/retirement plan, granting of extension of any option, warrant or right to purchase any securities in respect of the election of Governors.

**Item 11. Security Ownership of Certain Beneficial Owners and Management**

Security Ownership of Certain Record and Beneficial Owners[1]:

The Club has no knowledge of any member who has, directly or indirectly, ownership of more than 5% of the total outstanding regular memberships of the shares of Camp John Hay Golf Club, Inc. as at December 31, 2021, except as set forth below

| Title of Class | Name and Address of Record Owner | Name of Beneficial Owner and Relationship with Record Owner | Amount/Nature of Record/Beneficial Ownership | Percent of Class |
|---|---|---|---|---|
| Regular Membership | CJH Development Corp.[2] 9/F Renaissance Towers, Meralco Avenue, Pasig City | Same | 1,237 "record" | 49.48% |

Mr. Robert John L. Sobrepeña, Chairman of CJH Development Corp., directs the voting of these memberships held under the name of CJH Development Corp.

[1] There are no additional shares which the listed beneficial or record owner has the right to acquire within thirty (30) days from options, warrants, rights, conversion, privilege or similar obligations, as these are not applicable to the Registrant, not being a stock corporation.

[2] CJH Development Corporation's top stockholders are Fil-Estate Management Inc. (FEMI), College Assurance Plan Phils., Inc. (CAPPI), Comprehensive Annuity Plans and Pension Corp. (CAPPC) and Northwood Resources Corp. (Northwood).

CAPPI's top stockholders are the following: (1) Rockshed Management; (2) the Sobrepeñas (Enrique A. Sobrepeña, Jr., and Rose Sobrepeña); (3) the Thomsons (estate of James Marsh Thomson, Gillian Akiko Thomson, Julia Thomson, and Joshua Charles Thomson); (4) the Espaldons (Ernesto Espaldon, Sr., Leticia Espaldon, and Arlene Espaldon Ramos); (5) the Evangelistas (Rafael E. Evangelista, Jr., Margarita A. Evangelista, Clarissa Evangelista, Patricia Evangelista, Rafael A. Evangelista, and Cristina Evangelista); (6) Raul I. Goco; (7) estate of Coronado P. Muñasque; (8) Euron Realty; and (9) Jose A.R. Bengzon III.

CAPPC's top stockholders, on the other hand, are CAPPI (top stockholders of which are listed above); Rafael Evangelista, Jr., estate of James Marsh Thomson, Rockshed Management, Heirs of Romulo Espaldon, Heirs of Ernesto Espaldon, Heirs of Manuel Manahan, Alejandro Roces, Jose A.R. Bengzon III, estate of Coronado Muñasque, Enrique Sobrepeña, Jr., Raymundo Rolando Dizon, Ma. Corazon Bitong, Diana Lynn Agustin, Yvette Suzanne Dizon, Raul I. Goco, Arleigh Joseph Espaldon, Robert John L. Sobrepeña, William Russell Sobrepeña, Silvestre Bello III, Quintin Doromal, Ernesto Espaldon, Jr., and Gillian Akiko Thomson.

Northwood's top stockholders are Reference Development Corp., Baguio International Ltd., Manta Equities, Inc. and Greenworld Development Corp.

Security Ownership of Management:

The table below sets forth as at December 31, 2021, the record and beneficial ownership of each Governor and Executive Officer of the Club:

| Title of Class | Name and Address of Record Owner | Name of Beneficial Owner | Citizenship | Amount/Nature of Record/Beneficial Ownership | Percent of Class |
|---|---|---|---|---|---|
| Regular Membership | Robert John L. Sobrepeña<br>Chairman of the Board and Governor<br>11 Tabuena Street<br>Corinthian Gardens<br>Quezon City | CJH Development Corp. | Filipino | 2–r | 0.08% |
| Regular Membership | Ferdinand T. Santos<br>President and Governor<br>4 Sunrise Hills<br>New Manila, Quezon City | CJH Development Corp. | Filipino | 2–r | 0.08% |
| Regular Membership | Francisco C. Gonzalez<br>Governor<br>225 F. Socorro<br>Fernandez St.<br>Mandaluyong City | Same as Record Owner | Filipino | 1-r | 0.04% |
| Regular Membership | Rafael Perez de Tagle, Jr.<br>Governor/Treasurer<br>5 Acropolis Drive<br>Acropolis Village<br>Quezon City | Same as Record Owner | Filipino | 1-r | 0.04% |
| Regular Membership | Gulshan Bedi<br>Governor<br>Cottage 589, Scout Hill<br>Camp John Hay<br>Baguio City | Same as Record Owner | Indian | 1-r | 0.04% |
| Regular Membership | Alfredo M. Mendoza<br>Governor<br>CargoAir Center<br>Ninoy Aquino Ave. cor.<br>Kabihasnan, Brgy. San<br>Dionisio, Parañaque City | Same as Record Owner | Filipino | 1-r | 0.04% |
| Regular Membership | Mario V. Benitez, Jr.<br>Independent Governor<br>4 Outlook Dr., Cottage 119,<br>Baguio City | Same as Record Owner | Filipino | 1-r | 0.04% |
| Regular Membership | Ramon Luis F. Garcia III<br>Independent Governor<br>4 Outlook Dr., Cottage 119,<br>Baguio City | Same as Record Owner | Filipino | 1-r | 0.04% |
| Regular Membership | Jaime M. Cacho<br>Governor<br>No. 50 P. Tuason Street<br>Cubao, Quezon City | Same as Record Owner | Filipino | 1-r | 0.04% |
| Regular Membership | Mauricio G. Domogan<br>Independent Governor<br>No. 31 Upper Brookside<br>Baguio City | Same as Record Owner | Filipino | 1-r | 0.04% |
| Regular Membership | Gilbert Raymund T. Reyes<br>Corporate Secretary and Compliance Officer/<br>Governor<br>5/F SEDCCO I Building<br>Rada Corner Legaspi Streets<br>Legaspi Village Makati City | Same as Record Owner | Filipino | 1-r | 0.04% |

The aggregate ownership of all members of the Board of Governors and Officers as a group unnamed total 13, or about 0.52% of the total outstanding memberships.

Voting Trust Holders of 5% or more
There are no Voting Trust Agreements covering any of the securities of the Club.

Changes in Control
There is no significant arrangement to date which may result in a change in control of the Club.

**Item 12. Certain Relationships and Related Transactions (see Note 11 of the Notes to Financial Statements)**

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

There is a currently enforceable legal right to offset related party balances and it is the related parties' intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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

(a) Members' assessments

The Club receives membership fees, dues, assignment and transfer fees for the transfer of membership from a member to its successor and special assessment from members which are stated in the Club's policies as approved by the Club's Board of Governors and are presented under members' assessments in the statement of total comprehensive income. As at December 31, 2021, allowance for doubtful accounts related to these transactions amounted to P1,791,428 (2020 - P2,015,549) (Note 3).

The Amended Articles of Incorporation and By-laws, as discussed in Note 13, stipulates that shares issued to CJH DevCo and the owners of the land transferred to the Club (Primary Members) are deemed as non-activated shares and shall be exempt from payment of monthly dues until they are activated or are transferred by the Primary Members.

(b) Revenues from clubhouse operations

The Club's billings to related parties represent accounts of terminated local playing rights, share in Lake 7 water consumption and other charges which include, among others, green fees, tournament fees and sponsorships which are recorded as part of revenues from clubhouse operations in the statement of total comprehensive income (Note 14).

The Club and Camp John Hay Hotel Corp. (CJH Hotel) offers golf packages for those who want to play golf and stay at the hotel. Charges for the use of the Club's amenities are billed and collected through CJH Hotel, except for the hotel charges of other related parties during tournaments. Purchases represent CJH Hotel's purchase of pro-shop goods from the Club which are included as part of pro-shop revenues under the statement of total comprehensive income (Note 14).

The Club and Camp John Hay Suites (The Forest Lodge) offers golf packages for those who want to play golf and stay at the suite. Charges for the use of the Club's amenities are billed and collected through The Forest Lodge, except for the suite charges of other related parties during tournaments. Revenues from The Forest Lodge represent green fees, golf cart rentals, and golfer's insurance. Purchases represent The Forest Lodge's purchase of pro-shop goods from the Club which are included as part of pro-shop revenues under statement of total comprehensive income.

(c) Purchases of service

The Club's purchase of service with a related party includes accommodations for the club tournament players.

(d) Electricity

The Club pays its electricity charges through CJH DevCo including streetlights around Clubhouse which are recorded as part of communication, light and water under costs of goods sold and services in the statement of total comprehensive income (Note 15).

(e) Golf course maintenance

Under the Assignment contract between the Club and CJH DevCo (Note 7), the Club pays monthly maintenance dues to CJH DevCo for the maintenance of the common areas including roads inside the camp. Maintenance fees, including share in common expenses such as security and use of road, are reflected as repairs and maintenance under costs of goods sold and services in the statement of total comprehensive income (Note 15).

The Club also has an existing Golf Course Maintenance Agreement (the Agreement) with Golforce, whereby the latter manages and maintains the 18-hole golf course subject to the terms and conditions set forth in the Agreement. Maintenance fees are included in "repairs and maintenance" under "costs and operating expenses other than depreciation" account in the profit or loss (Note 15).

12.1 Offsetting of financial assets and financial liabilities

The financial assets and financial liabilities set-off and presented at net amounts as at December 31 in the statements of financial position are as follows:

Due from related parties

| | Gross amount of recognized financial liabilities | Gross amount of recognized financial assets set off in the statement of financial position | Net amount financial liabilities presented in the statement of financial position | Related amounts not set off in the statement of financial position | | Net amount |
|---|---|---|---|---|---|---|
| | | | | Financial instruments | Cash collateral received | |
| 2021 | 12,971,185 | (2,740,022) | 10,231,163 | - | - | 10,231,163 |
| 2020 | 12,707,142 | (2,232,910) | 10,474,232 | - | - | 10,474,232 |

The net amount of due from receivables is shown as part of "receivables from members and related parties" under "receivables, net" account in the statements of financial position (Note 3). The net amount of due to related parties is shown in the statements of financial position and under Accounts payable and other current liabilities (Note 8).

12.2 Transactions with key management personnel

(a) As at December 31, 2021, the Club has unsecured noninterest-bearing receivables from officers amounting to P574,256 (2020 - P764,700). These receivables are due and demandable and settlement occurs in cash. Allowance for ECL recognized as at December 31, 2021 amounted to P516,813 (2020 - P764,700) (Notes 3).

(b) Compensation and benefits to key management personnel of the Club are as follows:

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Short-term employee benefits | 2,733,750 | 3,250,000 | 3,250,000 |
| Retirement benefits cost | 103,999 | 258,838 | 180,337 |
| | 2,837,749 | 3,508,838 | 3,430,337 |

## PART IV – CORPORATE GOVERNANCE

**Item 13. <u>Corporate Governance</u>**

The Club has adopted the SEC Corporate Governance Self-rating Form as a tool to evaluate the level of compliance with its Manual on Corporate Governance. In addition, the Compliance Officer reviews periodically the level of performance of the governors, officers, and significant employees with the leading practices and principles of good governance as embodied in the Club's Manual, and the rules and regulations that the SEC issue from time to time.

There have been no violations in the provisions of the Club's Manual on Corporate Governance and no director, officer or employee has been sanctioned by reason thereof. There are existing conditions in the management of the Club requiring formulation of plans to improve corporate governance compliance of the Club.

## PART V – EXHIBITS AND SCHEDULES

**Item 14. <u>Exhibits and Reports on SEC Form 17-C</u>**

a. Exhibits
   The exhibits required in this report are either not applicable to the Club or require no answer.

**SIGNATURES**

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of ____________ on __April__, 2022.

By:

ROBERT JOHN L. SOBREPEÑA
Principal Executive Officer

RAFAEL PEREZ DE TAGLE, JR.
Principal Financial Officer

JUDSON D.EUSTAQUIO
Principal Operating Officer

SIMPLICIO LANGBAYAN JR.
Principal Accounting Officer

Gilbert R. T. Reyes
GILBERT RAYMUND T. REYES
Corporate Secretary

**SUBSCRIBED AND SWORN** to before me this __21st__ day of __April__ 2022 affiant(s) exhibiting to me their passports/identification cards, as follows:

| NAME | ID NO. | DATE OF ISSUE | PLACE OF ISSUE |
|---|---|---|---|
| Robert John L. Sobrepeña | PO864573B | Feb. 28, 2029 | DFA, NCR |
| Rafael Perez De Tagle, Jr. | M15-73-002914 | May 1, 2024 | - |
| Judson D. Eustaquio | P6009636A | Feb.11, 2028 | DFA, MANILA |
| Simplicio L. Langbayan Jr. | AO1-10-000849 | Dec.19, 2023 | Baguio City |
| Gilbert Raymund T. Reyes | PPP8069137A | July 23, 2028 | Quezon City |

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Series of 2022

FEDERICO J. MANDAPAT, JR.
Notary Public for Baguio City
Notarial Com. N.A.-NC 08-21R / 6-30-21
Until December 31, 2022
No. 245 Camp 7, Baguio City
PTR No. 5488930, 2-2-22, Baguio City
IBP Lifetime Member No. 08822; 01/06/10
Roll No. 32036

**CAMP JOHN HAY GOLF CLUB, INC.**

**INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**

**SEC FORM 17-A**



**These schedules, which are required by Part IV(e) of RSA Rule 68, do not apply to the Club because the balances of these accounts are below the amount that meets the requirement of the SEC Rules for its disclosure.*

# *Camp John Hay Golf Club, Inc.*

**Financial Statements**
**With Supplemental Schedules**
**For the Securities and Exchange Commission**
**December 31, 2021**

# FIRST SECTION

Audited Financial Statements with
Supplemental Schedules for the
Securities and Exchange Commission
December 31, 2021

TABLE OF CONTENTS

First Section

CAMP JOHN HAY
GOLF CLUB

# STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Camp John Hay Golf Club, Inc. (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as of and for the period April 3, 1997 to December 31, 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Isla Lipana & Co., the independent auditors appointed by the members, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature: ____________________
Chairman of the Board **Robert John L. Sobrepeña**

Signature: ____________________
President **Ferdinand T. Santos**

Signature: ____________________
Chief Financial Officer **Rafael Perez de Tagle, Jr.**

Signed this 5 day of April

Camp John Hay Golf Club Inc., PO Box 1141, Loakan Rd., Baguio City 2600, Philippines• Phone (6374) 444-2561•Telefax (6374) 444-2131• Email admin@cjhgolfclub.com
Manila Office: Mezzanine floor, Renaissance 1000, Tower D, Office Block, Meralco Ave, Pasig City
Phone (632) 687-6607/687-6524/687-6710/687-0351• Fax (632) 687-5279• Website www.campjohnhay.ph/cjh-golf-club.php

**SIGNATURES**

Pursuant to the requirements of the Securities Regulation Code, the Registrant has duly caused this report to be signed on its behalf by the undershigned thereunto duly authorized.

SUBSCRIBED AND SWORN to before me this 5 of Apr -, 2022. Affiants exhibiting to me their Government ID's as follows:

| NAME | GOVERNMENT ID | ID NUMBER | EXPIRE ON |
|---|---|---|---|
| Robert John L . Sobrepena | Philippine Passport | PO864573B | 2029-02-28 |
| Ferdinand T. Santos | Philippine Passport | PI 560471B | 2029-05-01 |
| Rafael Perez de Tagle | Drivers License | M15-73-002914 | 2024-02-23 |

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Series of 2022

FEDERICO J. MANDAPAT, JR.
Notary Public for Baguio City
Notarial Com. N.A.-NC 08-21P / 6-30-21
Until December 31, 2022
No. 245 Camp 7, Baguio City
PTR No. 5844930, 2-2-22, Baguio City
IBP Lifetime Member No. 08822; 01/06/10
Roll No. 32036

# *Camp John Hay Golf Club, Inc.*

(A non-stock corporation)

**Financial Statements**
**As at and for the years ended December 31, 2021 and 2020**
**(With comparative figures for the year ended December 31, 2019)**

pwc

Isla Lipana & Co.

## Independent Auditor's Report

To the Members and Board of Governors of
**Camp John Hay Golf Club, Inc.**
The Clubhouse, Golf Club Drive
Camp John Hay Loakan Road, Baguio City

### Report on the Audits of the Financial Statements

#### *Our Opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Camp John Hay Golf Club, Inc. (the "Club") as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

*What we have audited*

The financial statements of the Club comprise:

- the statements of financial position as at December 31, 2021 and 2020;
- the statements of total comprehensive income for the years ended December 31, 2021 and 2020;
- the statements of changes in members' equity for the years ended December 31, 2021 and 2020;
- the statements of cash flows for the years ended December 31, 2021 and 2020; and
- the notes to the financial statements, which include a summary of significant accounting policies.

#### *Basis for Opinion*

We conducted our audit in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

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.

***Other Information***

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), and SEC Form 17-A (Annual Report) for the year ended December 31, 2021, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), and SEC Form 17-A (Annual report) for the year ended December 31, 2021 are expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

***Material Uncertainties Related to Going Concern***

We draw attention to Note 28 to the financial statements which discusses the implication to the Club of the Notice to Vacate issued by the Regional Trial Court, First Judicial Region, Branch 6, Baguio City on April 20, 2015 which orders all the sub-lessees of Camp John Hay Development Corporation to vacate the premises and turn over the lease improvements to Bases Conversion and Development Authority. The progress of the case including management's plans regarding this matter are disclosed in Note 28. Our opinion is not modified in respect of this matter.

***Other Matter***

The financial statements of the Club presented for the year ended December 31, 2019 was audited by another auditor who expressed an unqualified opinion to those statements on June 4, 2020. Our opinion is not qualified in respect to this matter.

We were not engaged to audit, review, or apply any procedures to the Club's financial statements for the year ended December 31, 2019 and accordingly, we do not express an opinion or any other form of assurance on the 2019 financial statements taken as a whole.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, 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 PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Club's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

Isla Lipana & Co.



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

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

**Report on the Bureau of Internal Revenue Requirement (BIR)**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 29 to the financial statements is presented for purposes of filing with the BIR and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Isla Lipana & Co.**

Carlos Federico C. de Guzman
Partner
CPA Cert. No. 110973
P.T.R. No. 0011285, issued on January 6, 2022, Makati City
SEC A.N. (individual) as general auditors 110973-SEC, Category A;
valid to audit 2021 to 2025 financial statements
SEC A.N. (firm) as general auditors 0142-SEC, Category A;
valid to audit 2020 to 2024 financial statements
TIN 229-481-265
BIR A.N. 08-000745-141-2020, issued on November 4, 2020; effective until November 3, 2023
BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City
April 7, 2022

Isla Lipana & Co.

Statements Required by Rule 68
Securities Regulation Code (SRC)

To the Members and Board of Governors of
**Camp John Hay Golf Club, Inc.**
The Clubhouse, Golf Club Drive
Camp John Hay Loakan Road, Baguio City

We have audited the accompanying financial statements of Camp John Hay Golf Club, Inc. as at and for the year ended December 31, 2021, on which we have rendered the attached report dated April 7, 2022. The supplementary information shown in the *Supplementary Schedules A, B, C, D, E, F and G* as additional components required by the SRC, are presented for purposes of filing with the Securities and Exchange Commission and are not a required part of the basic financial statements. Such supplementary information are the responsibility of management and have been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information has been prepared in accordance with Rule 68 of the SRC.

**Isla Lipana & Co.**

Carlos Federico C. de Guzman
Partner
CPA Cert. No. 110973
P.T.R. No. 0011285, issued on January 6, 2022, Makati City
SEC A.N. (individual) as general auditors 110973-SEC, Category A;
valid to audit 2021 to 2025 financial statements
SEC A.N. (firm) as general auditors 0142-SEC, Category A;
valid to audit 2020 to 2024 financial statements
TIN 229-481-265
BIR A.N. 08-000745-141-2020, issued on November 4, 2020; effective until November 3, 2023
BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City
April 7, 2022

**Camp John Hay Golf Club, Inc**
(A non-stock corporation)

Statements of Financial Position
As at December 31, 2021 and 2020
(All amounts in Philippine Peso)

| | Notes | 2021 | 2020 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash | 2 | 9,609,271 | 4,277,243 |
| Receivables, net | 3 | 5,919,952 | 8,106,470 |
| Financial asset at fair value through profit or loss | 4 | 1,288,568 | 1,280,563 |
| Inventories | 5 | 2,634,856 | 3,724,217 |
| Prepayments and other current assets | 6 | 3,088,072 | 2,622,838 |
| Total current assets | | 22,540,719 | 20,011,331 |
| **Non-current assets** | | | |
| Property and equipment | | | |
| At revalued amount | 7 | 270,762,579 | 291,700,702 |
| At cost | 7,9 | 101,689,827 | 109,064,475 |
| Total non-current assets | | 372,452,406 | 400,765,177 |
| **Total assets** | | 394,993,125 | 420,776,508 |
| **LIABILITIES AND MEMBERS' EQUITY** | | | |
| **Current liabilities** | | | |
| Accounts payable and other current liabilities | 8 | 42,348,565 | 39,481,527 |
| Due to related parties | 11 | 1,655,888 | 3,337,263 |
| Lease liabilities | 9 | 2,997,215 | 2,706,534 |
| Total current liabilities | | 47,001,668 | 45,525,324 |
| **Non-current liabilities** | | | |
| Refundable deposits | 12 | 10,134,260 | 9,769,311 |
| Retirement benefit obligation | 19 | 4,756,322 | 4,790,223 |
| Lease liabilities, net of current portion | 9 | 495,344 | 2,650,070 |
| Deferred income tax liability | 21 | 59,701,204 | 77,152,325 |
| Total non-current liabilities | | 75,087,130 | 94,361,929 |
| Total liabilities | | 122,088,798 | 139,887,253 |
| **Members' equity** | | | |
| Membership certificates | 13,25 | 1,378,588,555 | 1,378,588,555 |
| Shares of delinquent members acquired through auctions | 10 | (12,146,036) | (10,909,574) |
| Reserve for remeasurement on retirement benefits | 19 | 840,579 | 1,736,280 |
| Revaluation surplus | 7 | 179,103,613 | 180,022,093 |
| Cumulative excess of expenses over revenues | | (1,273,482,384) | (1,268,548,099) |
| Total members' equity | | 272,904,327 | 280,889,255 |
| **Total liabilities and members' equity** | | 394,993,125 | 420,776,508 |

(The notes on pages 1 to 53 are integral part of these financial statements)

**Camp John Hay Golf Club, Inc**
(A non-stock corporation)

Statements of Total Comprehensive Income
For the years ended December 31, 2021 and 2020
(With comparative figures for the year ended December 31, 2019)
(All amounts in Philippine Peso, except earnings per share)

| | Notes | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Members' assessments | 11 | | | |
| Membership dues | | 46,225,700 | 44,108,119 | 39,350,500 |
| Entrance fees | | 2,625,000 | 1,700,000 | 2,050,000 |
| Assignment and transfer fees | | 3,225,000 | 1,575,000 | 3,150,000 |
| Total members' assessments | | 52,075,700 | 47,383,119 | 44,550,500 |
| Revenues from clubhouse operations | 14 | | | |
| Green fees and tournament fees | | 5,318,764 | 13,077,419 | 22,765,913 |
| Golf cart rentals | | 4,320,460 | 3,407,886 | 2,678,808 |
| Merchandise sales | | 1,802,085 | 2,208,966 | 4,819,754 |
| Unused consumables | | 5,014,266 | - | 2,203,087 |
| Driving Range | | 58,394 | 86,074 | 261,882 |
| Concessionaires' fees | | - | 56,808 | 470,504 |
| Total revenues from clubhouse operations | | 16,513,969 | 18,837,153 | 33,199,948 |
| **Total receipts** | | 68,589,669 | 66,220,272 | 77,750,448 |
| Cost of goods sold and services | 15 | (47,969,549) | (55,476,301) | (65,404,026) |
| **Excess of receipts over cost before operating expenses, other income and depreciation expense** | | 20,620,120 | 10,743,971 | 12,346,422 |
| Operating expense other than depreciation expense | 16 | (12,372,261) | (13,971,388) | (20,187,334) |
| Interest expense | 18.2 | (1,158,125) | (1,233,660) | (674,920) |
| Interest income | 2,18.1 | 393,349 | 1,372,903 | 70,843 |
| Other income, net | 18.3 | 774,710 | 84,112 | 27,146,802 |
| **Excess (Deficiency) of receipts and other income over costs and operating expense other than depreciation expense** | | 8,257,793 | (3,004,062) | 18,701,813 |
| Depreciation expense | 7,9 | (31,561,679) | (31,035,087) | (25,856,683) |
| **Excess of expenses over receipts before income tax expense** | | (23,303,886) | (34,039,149) | (7,154,870) |
| **Income tax benefit (expense)** | | | | |
| Current | | - | - | (108,432) |
| Deferred | 7 | 4,592,400 | 5,510,881 | 4,739,876 |
| | 21 | 4,592,400 | 5,510,881 | 4,631,444 |
| **Excess of expenses over receipts after income tax** | | (18,711,486) | (28,528,268) | (2,523,426) |
| **Other comprehensive (loss) income** | | | | |
| Items that will not be reclassified to profit or loss | | | | |
| Remeasurement loss on retirement benefit obligation | 19 | (895,701) | (234,511) | (401,497) |
| Reversal of deferred income tax liability | 7 | 12,858,721 | - | - |
| Revaluation surplus, net of deferred income tax | 7 | - | - | 60,164,292 |
| | | 11,963,020 | (234,511) | 59,762,795 |
| **Total comprehensive (loss) income for the year** | | (6,748,466) | (28,762,779) | 57,239,369 |
| **Basic/diluted loss per share** | 13.3 | (8,157) | (12,186) | (1,082) |

(The notes on pages 1 to 53 are integral part of these financial statements)

**Camp John Hay Golf Club, Inc**
(A non-stock corporation)

Statements of Changes in Members' Equity
For the years ended December 31, 2021 and 2020
(With comparative figures for the year ended December 31, 2019)
(All amounts in Philippine Peso)

| | Notes | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| **Membership certificates** | 13,25 | | | |
| Authorized and issued - 10 founders' and 2,490 regular certificates | | 1,378,588,555 | 1,378,588,555 | 1,378,588,555 |
| **Shares of delinquent members acquired through auctions** | 10 | | | |
| Balances at beginning of year | | (10,909,574) | (9,667,191) | (12,692,190) |
| Issued during the year | | 275,000 | 2,491,734 | 3,024,999 |
| Acquired during the year | | (1,511,462) | (3,734,117) | - |
| Balances at end of year | | (12,146,036) | (10,909,574) | (9,667,191) |
| **Reserve for remeasurement on retirement benefits** | 19 | | | |
| Balances at beginning of year | | 1,736,280 | 1,970,791 | 2,372,288 |
| Remeasurement loss | | (895,701) | (234,511) | (401,497) |
| Balances at end of year | | 840,579 | 1,736,280 | 1,970,791 |
| **Revaluation surplus** | 7 | | | |
| Balances at beginning of year | | 180,022,093 | 192,880,814 | 143,776,232 |
| Revaluation surplus, net of DIT | | - | - | 60,164,292 |
| Reversal of deferred income tax liability | | 12,858,721 | - | - |
| Transfer of revaluation increment absorbed through depreciation, net of DIT | | (13,777,201) | (12,858,721) | (11,059,710) |
| Balances at end of year | | 179,103,613 | 180,022,093 | 192,880,814 |
| **Cumulative excess of expenses over receipts** | | | | |
| Balances at beginning of year | | (1,268,548,099) | (1,252,878,552) | (1,261,414,836) |
| Excess of expenses over receipts during the year | | (18,711,486) | (28,528,268) | (2,523,426) |
| Transfer of revaluation increment absorbed through depreciation, net of DIT | 7 | 13,777,201 | 12,858,721 | 11,059,710 |
| Balances at end of year | | (1,273,482,384) | (1,268,548,099) | (1,252,878,552) |
| **Total members' equity** | | 272,904,327 | 280,889,255 | 310,894,417 |

(The notes on pages 1 to 53 are integral part of these financial statements)

**Camp John Hay Golf Club, Inc**
(A non-stock corporation)

Statements of Cash Flows
For the years ended December 31, 2021 and 2020
(With comparative figures for the year ended December 31, 2019)
(All amounts in Philippine Peso)

| | Notes | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Excess of expenses over revenue before income tax | | (23,303,886) | (34,039,148) | (7,154,873) |
| Adjustments for: | | | | |
| Depreciation and amortization | 7,9 | 31,561,679 | 31,035,087 | 25,856,683 |
| Reversal of provision for probable losses | 8,18.3 | - | - | (21,164,834) |
| Interest expense | 18.2 | 1,158,125 | 1,233,660 | 674,920 |
| Retirement benefit costs | 19 | 1,022,968 | 892,546 | 667,916 |
| Interest income | 18 | (393,349) | (1,372,903) | (70,843) |
| (Reversal of) provision for doubtful accounts | 16 | (472,008) | 575,975 | 4,489,805 |
| Unrealized fair value gain on changes in fair value of financial asset at fair value through profit or loss | 4,18 | (8,005) | (14,128) | (40,649) |
| Operating (loss) income before working capital changes | | 9,565,524 | (1,688,911) | 3,258,125 |
| Decrease (increase) in: | | | | |
| Receivables | | 1,147,064 | (3,667,729) | (1,983,314) |
| Inventories | | 1,089,361 | (437,532) | (289,879) |
| Prepaid expenses and other current assets | | (465,234) | (223,624) | (925,521) |
| Increase (decrease) in: | | | | |
| Accounts payable and other current liabilities | | 2,867,038 | 5,161,985 | 4,781,973 |
| Due to related parties | | (1,681,375) | 1,880,485 | 420,218 |
| Refundable deposits | | (275,000) | 550,000 | 411,160 |
| Net cash generated from operations | | 12,247,378 | 1,574,674 | 5,672,762 |
| Interest received | 18 | 393,349 | 1,372,903 | 70,843 |
| Income tax paid | | - | (104,937) | (228,929) |
| Retirement benefit paid | 19 | (1,952,570) | - | - |
| Net cash from operating activities | | 10,688,157 | 2,842,640 | 5,514,676 |
| **Cash flows from investing activity** | | | | |
| Additions of property and equipment | | (2,157,708) | (3,444,327) | (4,840,701) |
| **Cash flows from financing activities** | | | | |
| Payment of lease liabilities | 9 | (2,955,245) | (3,631,739) | (2,015,392) |
| Proceeds from sale of shares of delinquent members acquired through auctions | 10 | 275,000 | 2,491,734 | 3,024,999 |
| Interest paid | 9 | (518,176) | (663,038) | (163,760) |
| Net cash (used in) from financing activities | | (3,198,421) | (1,803,043) | 845,847 |
| **Net increase (decrease) in cash** | | 5,332,028 | (2,404,730) | 1,519,822 |
| **Cash at beginning of year** | | 4,277,243 | 6,681,973 | 5,162,151 |
| **Cash at end of year** | 2 | 9,609,271 | 4,277,243 | 6,681,973 |

(The notes on pages 1 to 53 are integral part of these financial statements)

**Camp John Hay Golf Club, Inc**
(A non-stock corporation)

Notes to the Financial Statements
As at and for the years ended December 31, 2021 and 2020
(With comparative figures for the year ended December 31, 2019)
(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

## Note 1 - General information

### 1.1 Club information

Camp John Hay Golf Club, Inc. ("CJHGC" or the "Club"), a non-stock corporation, was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on April 3, 1997 and started commercial operations on March 1, 2000. Its primary purpose is to promote the social, recreational and athletic activities on a not-for-profit basis among its members, the main objective and undertaking of which will be the construction and maintenance of a golf course and other indoor and outdoor-related sports and recreational facilities. The Club had 46 employees in 2021 (2020 - 48 employees).

On May 2, 1997, the SEC granted the Club a permit to offer its securities for sale to the public consisting of 2,500 membership certificates, 10 of which are founders' certificates, and 200 non-membership playing rights.

The registered office address, and principal place of business, of the Club is The Clubhouse, Golf Club Drive, Camp John Hay, Loakan Road, Baguio City.

### 1.2 Impact of COVID-19 pandemic

The pandemic, which broke out in early 2020 forced governments all over the world, including the Philippines, to implement community quarantines to mitigate the spread of the virus. Unfortunately, these quarantines caused the demands for goods and services to plummet which ultimately led to the contraction of both the global and domestic economies.

As of report date, the pandemic remains the topmost concern of the government and businesses in the Philippines. In 2021, the Philippine economy has gradually reopened with the imposition of less stringent community quarantine protocols. Likewise, the vaccination program of the government had commenced in the first quarter of 2021 and is expected to ramp up, which is hoped to slow down the spread of the virus and boost confidence among businesses and consumers.

The Club has set in place business continuity plans, to ensure that it continues to manage potential and actual risks, while prioritizing the overall interests of its members, employees and other stakeholders. The Club's continuity plan includes implementation, execution and enhancement of countermeasures to limit operational and employee health risk. It incorporates employee healthcare monitoring as well as a system for external and internal communication management.

Management will continue to monitor the business developments amidst the pandemic and update the assessments made. Any medium to long-term impact of the pandemic on the Club's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related restrictions, and the overall impact of COVID-19 on the Philippine economy and demand for its products and services, all of which are highly uncertain and cannot be predicted.

### 1.3 Authorization for issue of the financial statements

The financial statements were approved and authorized for issue by the Club's Board of Governors (BOG) on April 7, 2022.

**Note 2 - Cash**

Cash as at December 31 consists of:

| | 2021 | 2020 |
|---|---|---|
| Cash on hand | 770,635 | 1,391,754 |
| Cash in banks | 8,838,636 | 2,885,489 |
| | 9,609,271 | 4,277,243 |

Cash in banks earn interest at the respective bank deposit rates. Total interest earned from cash in banks for the year ended December 31, 2021 amounted to P7,491 (2020 - P11,798; 2019 - P17,416) (Note 18.1).

**Note 3 - Receivables, net**

Receivables, net as at December 31 consist of:

| | Note | 2021 | 2020 |
|---|---|---|---|
| Receivables from: | | | |
| Members | 11 | 4,980,961 | 8,530,098 |
| Related parties | 11 | 8,694,403 | 9,095,959 |
| Third parties | | 1,584,174 | 975,669 |
| Officers and employees | 11 | 574,256 | 764,700 |
| Other receivables: | | | |
| Terminated local playing rights | | 6,258,061 | 6,258,061 |
| Concessionaires and suppliers | | 3,341,077 | 2,322,256 |
| Others | | 1,785,976 | 1,930,691 |
| | | 27,218,908 | 29,877,434 |
| Allowance for expected credit loss (ECL) | | (21,298,956) | (21,770,964) |
| | | 5,919,952 | 8,106,470 |

Membership dues are billed in advance with 30 days term. Unsettled receivables for 60 days are considered past due and are charged with 2% interest. In 2021, interest income amounted to P385,858 (2020 - P1,361,105; 2019 - P53,427) (Note 18.1).

When a member's account is 150 days past due, the BOG reviews and approves membership as delinquent shares which will be subject for auction. Within ten days after the BOG has ordered the sale at auction of the delinquent member's share/s, the corresponding member will be notified, and the Membership Committee will be advised of such fact. The Membership Committee will then notify all applicants and post the details of the auction in the Club's bulletin board for a period of at least ten days. The auction by public bidding will be conducted by a Notary Public in accordance with the bidding procedure recommended by the Membership Committee and approved by the BOG. The certificate shall be awarded to the highest bidder provided that in such auction, the Club may bid the amount of its receivables from the delinquent member or holder. The Notary Public shall execute a Certificate of Sale to the highest bidder.

Receivables from officers and employees pertain to the BOG's and Officers' charges in excess of their annual allocations and privileges. These are due and demandable.

Other receivables include receivable from terminated memberships and local playing rights, golf tournaments, concessionaires' fees and utilities paid for in advance by the Club. These are non-interest bearing, unsecured, collectible in cash and are generally on a 30-day credit term.

Movements in the allowance for ECL are as follows:

| | | 2021 | | | | |
|---|---|---|---|---|---|---|
| | Note | Members | Related and third parties | Officers and employees | Others | Total |
| Balances at beginning of year | | 2,015,549 | 8,519,706 | 764,700 | 10,471,009 | 21,770,964 |
| Reversal of ECL | 16 | (224,121) | - | (247,887) | - | (472,008) |
| Balances at end of year | | 1,791,428 | 8,519,706 | 516,813 | 10,471,009 | 21,298,956 |

| | | 2020 | | | | |
|---|---|---|---|---|---|---|
| | Note | Members | Related and third parties | Officers and employees | Others | Total |
| Balances at beginning of year | | 797,392 | 8,519,706 | 1,052,314 | 10,865,578 | 21,234,990 |
| Provision for (Reversal of) ECL | 16 | 1,218,157 | - | (287,614) | (354,568) | 575,975 |
| Write-off | | - | - | - | (40,001) | (40,001) |
| Balances at end of year | | 2,015,549 | 8,519,706 | 764,700 | 10,471,009 | 21,770,964 |

| | | 2019 | | | | |
|---|---|---|---|---|---|---|
| | | Members | Related and third parties | Officers and employees | Others | Total |
| Balances at beginning of year | | 81,057 | 8,390,933 | 790,178 | 7,483,017 | 16,745,185 |
| Provision for ECL | 16 | 716,335 | 128,773 | 262,136 | 3,382,561 | 4,489,805 |
| Balances at end of year | | 797,392 | 8,519,706 | 1,052,314 | 10,865,578 | 21,234,990 |

*Critical accounting estimate and judgment: Provision for impairment and recoverability of receivables*

Provision for impairment of receivables is maintained at a level considered adequate to provide for uncollectible receivables. Provision for impairment is calculated using expected credit losses (ECLs). ECLs are unbiased probability-weighted estimates of credit losses which are determined by evaluating a range of possible outcomes and taking into account past events, current conditions and assessment of future economic conditions.

The Club has used relevant historical information and loss experience to determine the probability of default of the receivables and incorporated forward-looking information, which involved significant estimates and judgements. The Club also evaluates specific account of customers who are unable to meet their financial obligations. In these cases, management uses judgment and assessment based on the best available facts, including but not limited to, reliability of available historical information, the customer's payment history and the result of Club's follow-up action to recover overdue debts.

Management believes, based on its assessment that the carrying amount of receivables as at December 31, 2021 and 2020 is recoverable.

## Note 4 - Financial asset at fair value through profit or loss (FVTPL)

The Club's financial assets at FVTPL as at December 31, 2021 amounted to P1,288,568 (2020 - P1,280,563).

The Club acquired 753,224 units of UITF with Metropolitan Bank and Trust Corporation at a net asset value per unit (NAVPU) of P1.13. UITF is a Bangko Sentral ng Pilipinas (BSP) - approved instrument wherein investments of various investors are pooled together and treated as a single fund.

As at December 31, 2021, the NAVPU of UITF with Metrobank is P1.71 (2020 - P1.70; 2019 - 1.68).

The carrying amount of FVTPL consists of:

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Cost | 850,000 | 850,000 | 850,000 |
| Accumulated gain on changes in fair value | 438,568 | 430,563 | 416,435 |
| Carrying amount | 1,288,568 | 1,280,563 | 1,266,435 |

*Critical accounting estimates and assumptions: Determination of fair value of financial assets and financial liabilities*

PFRS requires that certain financial assets and financial liabilities be carried and disclosed at fair value, which requires extensive use of accounting judgments and estimates. While significant components of fair value measurement are determined using NAVPU, the timing and amount of changes in fair value would differ using a different valuation methodology. Any change in the fair values of financial assets and financial liabilities directly affect the profit or loss. Refer to Note 26 for the related balances.

Movements in the unrealized gain on changes in fair value of financial asset at FVTPL are as follows:

| | Note | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Balance at beginning of year | | 430,563 | 416,435 | 375,786 |
| Gain on changes in fair value | 18.3 | 8,005 | 14,128 | 40,649 |
| Balance at end of year | | 438,568 | 430,563 | 416,435 |

## Note 5 - Inventories

Pro-shop inventories measured at cost as at December 31, 2021 amounted to P2,634,856 (2020 - P3,724,217).

For the year ended December 31, 2021, pro-shop inventories charged to cost of goods sold amounted to P1.2 million (2020 - P1.3 million; 2019 - P2.4 million) (Note 15).

No provision for inventory losses has been recognized for the years ended December 31, 2021, 2020 and 2019.

## Note 6 - Prepayments and other current assets

Prepayments and other current assets as at December 31 consist of:

| | 2021 | 2020 |
|---|---|---|
| Prepaid expenses | | |
| Utilities and supplies | 240,073 | 505,057 |
| Insurance | 314,441 | 376,994 |
| Ground maintenance | 59,613 | 59,613 |
| Others | 116,143 | 27,513 |
| Input value-added tax (VAT) | 2,357,802 | 1,653,661 |
| | 3,088,072 | 2,622,838 |

## Note 7 - Property and equipment

This account consists of:

(a) At revalued amount - Golf course development

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| **At January 1** | | | |
| Appraised value | 389,427,832 | 388,994,696 | 280,557,947 |
| Accumulated depreciation | (97,727,130) | (76,933,386) | (36,776,373) |
| Net book value | 291,700,702 | 312,061,310 | 243,781,574 |
| **Year ended December 31** | | | |
| Opening net book value | 291,700,702 | 312,061,310 | 243,781,574 |
| Additions | - | 433,136 | 1,011,310 |
| Revaluation | | | |
| Cost | - | - | 107,425,439 |
| Accumulated depreciation | - | - | (21,476,453) |
| Depreciation | (20,938,123) | (20,793,744) | (18,680,560) |
| Closing net book value | 270,762,579 | 291,700,702 | 312,061,310 |
| **At December 31** | | | |
| Appraised value | 389,427,832 | 389,427,832 | 388,994,696 |
| Accumulated depreciation | (118,665,253) | (97,727,130) | (76,933,386) |
| Net book value | 270,762,579 | 291,700,702 | 312,061,310 |

(b) At cost

| | Golf course clubhouse | Golf course equipment (Note 9) | Clubhouse tools and equipment | Office furniture and equipment | Transportation equipment (Note 9) | Golf cart building | Halfway house | Development-in-progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| **At January 1, 2019** | | | | | | | | | |
| Cost | 178,530,690 | 32,611,611 | 10,740,645 | 5,563,558 | 3,733,186 | 2,049,305 | 2,034,876 | - | 235,263,871 |
| Accumulated depreciation | (76,593,579) | (27,344,235) | (10,259,119) | (5,276,923) | (2,256,416) | (2,024,126) | (498,892) | - | (124,253,290) |
| Net carrying value | 101,937,111 | 5,267,376 | 481,526 | 286,635 | 1,476,770 | 25,179 | 1,535,984 | - | 111,010,581 |
| **Year ended December 31, 2019** | | | | | | | | | |
| Opening net carrying value | 101,937,111 | 5,267,376 | 481,526 | 286,635 | 1,476,770 | 25,179 | 1,535,984 | - | 111,010,581 |
| Additions | - | 10,450,682 | 145,735 | 86,404 | - | - | - | 1,011,310 | 11,694,131 |
| Transfers | | | | | | | | | |
| Cost | - | - | - | - | - | - | - | (1,011,310) | (1,011,310) |
| Accumulated depreciation | - | - | - | - | - | - | - | - | - |
| Depreciation | (4,466,340) | (1,948,098) | (155,955) | (152,096) | (393,041) | (17,089) | (43,504) | - | (7,176,123) |
| Closing net carrying value | 97,470,771 | 13,769,960 | 471,306 | 220,943 | 1,083,729 | 8,090 | 1,492,480 | - | 114,517,279 |
| **At January 1, 2020** | | | | | | | | | |
| Cost | 178,530,690 | 43,062,293 | 10,886,380 | 5,649,962 | 3,733,186 | 2,049,305 | 2,034,876 | - | 245,946,692 |
| Accumulated depreciation | (81,059,919) | (29,292,333) | (10,415,074) | (5,429,019) | (2,649,457) | (2,041,215) | (542,396) | - | (131,429,413) |
| Net carrying value | 97,470,771 | 13,769,960 | 471,306 | 220,943 | 1,083,729 | 8,090 | 1,492,480 | - | 114,517,279 |
| **Year ended December 31, 2020** | | | | | | | | | |
| Opening net carrying value | 97,470,771 | 13,769,960 | 471,306 | 220,943 | 1,083,729 | 8,090 | 1,492,480 | - | 114,517,279 |
| Additions | - | 2,232,174 | 1,704,809 | 71,516 | - | - | - | 1,369,186 | 5,377,685 |
| Transfers | | | | | | | | | |
| Cost | - | (77,730) | - | - | - | - | - | (433,686) | (511,416) |
| Accumulated depreciation | - | (77,730) | - | - | - | - | - | - | (77,730) |
| Depreciation | (4,465,470) | (4,681,857) | (551,375) | (159,116) | (327,736) | (8,090) | (47,699) | - | (10,241,343) |
| Closing net carrying value | 93,005,301 | 11,164,817 | 1,624,740 | 133,343 | 755,993 | - | 1,444,781 | 935,500 | 109,064,475 |
| **At January 1, 2021** | | | | | | | | | |
| Cost | 178,530,690 | 45,216,737 | 12,591,189 | 5,721,478 | 3,733,186 | 2,049,305 | 2,034,876 | 935,500 | 250,812,961 |
| Accumulated depreciation | (85,525,389) | (34,051,920) | (10,966,449) | (5,588,135) | (2,977,193) | (2,049,305) | (590,095) | - | (141,748,486) |
| Net carrying value | 93,005,301 | 11,164,817 | 1,624,740 | 133,343 | 755,993 | - | 1,444,781 | 935,500 | 109,064,475 |

| | Golf course clubhouse | Golf course equipment (Note 9) | Clubhouse tools and equipment | Office furniture and equipment | Transportation equipment (Note 9) | Golf cart building | Halfway house | Development-in-progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Year ended December 31, 2021** | | | | | | | | | |
| Opening net carrying value | 93,005,301 | 11,164,817 | 1,624,740 | 133,343 | 755,993 | - | 1,444,781 | 935,500 | 109,064,475 |
| Additions | - | 368,866 | | 208,379 | 1,358,856 | - | - | 1,312,807 | 3,248,908 |
| Depreciation | (4,465,470) | (4,994,790) | (353,120) | (94,657) | (667,820) | - | (47,699) | - | (10,623,556) |
| Closing net carrying value | 88,539,831 | 6,538,893 | 1,271,620 | 247,065 | 1,447,029 | - | 1,397,082 | 2,248,307 | 101,689,827 |
| **At December 31, 2021** | | | | | | | | | |
| Cost | 178,530,690 | 45,585,603 | 12,591,189 | 5,929,857 | 5,092,042 | 2,049,305 | 2,034,876 | 2,248,307 | 254,061,869 |
| Accumulated depreciation | (89,990,859) | (39,046,710) | (11,319,569) | (5,682,792) | (3,645,013) | (2,049,305) | (637,794) | - | (152,372,042) |
| Net carrying value | 88,539,831 | 6,538,893 | 1,271,620 | 247,065 | 1,447,029 | - | 1,397,082 | 2,248,307 | 101,689,827 |

On April 3, 1997, a Deed of Assignment (“Assignment”) was executed between the Club (“Assignee”) and CJH DevCo (“Assignor”) whereby, the Assignor transferred, conveyed and assigned unto the Assignee its beneficial rights to the use and possession of the golf course pursuant to the Lease Agreement between the Assignor and the Bases Conversion and Development Authority (BCDA). In consideration, the Assignee issued and delivered to the Assignor 2,500 proprietary certificates (“certificates”) and 200 non-membership playing rights (“playing rights”).

The Assignment is subject to the following terms and conditions, among others:

- The transfer of the beneficial rights to the use and possession of the golf course by the Assignor to Assignee.
- The delivery of the certificates and playing rights by the Assignee to Assignor shall be made upon the approval of the SEC of the permit to offer the securities for sale to the public. The permit to offer was approved and issued by the SEC on May 2, 1997.
- Assignor undertakes to redesign and improve the golf course and existing clubhouse.
- Assignee is prohibited to further transfer, convey or assign the golf course, clubhouse, and related facilities.
- Assignee, shall on August 6, 2047, the end of corporate life of the Club or upon termination of the Lease Agreement, whichever is earlier, promptly deliver to the Assignor, its assigns or successors, the golf course, the club house, and all related facilities, inclusive of all improvements introduced by the Assignee in good condition in all respect, subject only to reasonable wear and tear.

In December 2001 and March 1999, the Assignor transferred to Assignee the rights and ownership of the clubhouse and the golf course (the assigned property), respectively. The cost of the assigned property totaling P1,378,588,555 is presented as part of the “Property and equipment” account and correspondingly treated as cost of the proprietary certificates issued by the Assignee to Assignor and shown under the “Membership certificates” account in the statements of financial position.

*Revaluation of Golf Course Development*

For the revaluation of golf course development asset, the Club engaged an independent accredited appraiser to determine the market value of the property based on its highest and best use. The market value of the improvements was arrived at by using the cost approach. This is a comparative approach to the value of property or another asset that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is equivalent to the original or one that could furnish equal utility with no undue cost resulting from delay. The valuer's estimate is based on the reproduction or replacement cost of the subject property or asset, less total accumulated depreciation. The fair value of the golf course development asset as at December 31, 2019 was based on the latest appraisal report dated March 5, 2020 determined by Topconsult, Inc. using the cost approach, and is classified in the fair value hierarchy as Level 3 (Note 26.3). The Club has determined that the highest and best use of these properties is its current use.

Movements in revaluation increment on golf course development asset, net of deferred income tax, are as follows:

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Balance at beginning of year | 257,174,418 | 275,544,020 | 205,394,617 |
| Net revaluation increase | - | - | 85,948,989 |
| Transfer of revaluation increment absorbed through depreciation | (18,369,601) | (18,369,602) | (15,799,586) |
| Balance at end of year | 238,804,817 | 257,174,418 | 275,544,020 |
| Deferred income tax effect at 25% (2020 and 2019 - 30%) | (59,701,204) | (77,152,325) | (82,663,206) |
| Revaluation surplus, net | 179,103,613 | 180,022,093 | 192,880,814 |

This is reflected on the statement of changes in members' equity for the years ended December 31 as follows:

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Transfer of revaluation increment absorbed through depreciation | (18,369,601) | (18,369,602) | (15,799,586) |
| Deferred income tax effect at 25% (2020 and 2019 - 30%) | 4,592,400 | 5,510,881 | 4,739,876 |
| Revaluation surplus | (13,777,201) | (12,858,721) | (11,059,710) |

If the golf course development asset was measured using the cost model, the carrying amount would be as follows:

| | 2021 | 2020 |
|---|---|---|
| Cost | 1,236,055,842 | 1,236,055,842 |
| Accumulated depreciation | (1,204,098,078) | (1,201,529,556) |
| | 31,957,764 | 34,526,286 |

The balance of the revaluation surplus are restricted from distribution to the members.

*Critical accounting estimate and assumptions: Revaluation of golf course development asset and frequency of valuation*

The Club measures golf course development asset at revalued amounts with changes in fair value recognized in other comprehensive income. The Club engaged an independent valuation specialist having an appropriate recognized professional qualification to determine the fair value of the golf course development asset as at that date. The replacement cost per hole, observable condition and extent, character and utility of the property are the significant unobservable inputs used in the valuation, and the properties highest and best use in the locality where the property is located. Further information about the assumptions made in measuring fair values is included in Note 26.

Valuations are completed in accordance with the Club's accounting policy, which is prepared in accordance with PFRS. While PFRS does not specifically mandate the frequency of valuation to be performed, management assesses the need to obtain an independent valuation report based on movements in the fair value of land. Where the fair value at the reporting date differs materially from its carrying amount (i.e., more than 10% change in value), obtaining an independent valuation is necessary. If there is no indication that the movements in the fair value of golf course is materially different from its carrying amount, management obtains an independent valuation every three to five years.

The sensitivity of the golf course development carried at fair value to changes in the significant unobservable inputs as at December 31 is as follows:

| | Impact on | | |
|---|---|---|---|
| | Change in cost per yards | Property and equipment | Other comprehensive income/reserve before tax |
| *2021* | | | |
| Golf course development asset | +/- 5% | +/-21,678,720 | +/-5,419,680 |
| *2020* | | | |
| Golf course development asset | +/- 5% | +/-21,678,720 | +/-6,503,616 |

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

*Critical accounting estimate: Estimated useful life of property and equipment*

The Club estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are 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 the assets.

Based on management's assessment, there is no change in estimated useful lives of property and equipment during the reporting periods. Actual results, however, may vary due to changes in estimates brought about by changes in factors discussed in the foregoing.

It is possible that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by the change in the factors mentioned above. A reduction in the estimated useful life of any property and equipment would increase the recorded expenses and decrease non-current assets.

*Critical accounting judgment: Determination of impairment of property and equipment*

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable.

Management believes that there are no events or changes in circumstances which indicate that the carrying amount of its property and equipment may be impaired as at December 31, 2021 and 2020.

## Note 8 - Accounts payable and other current liabilities

Accounts payable and other current liabilities as at December 31 consist of:

| | Notes | 2021 | 2020 |
|---|---|---|---|
| Accounts payable | | 19,663,004 | 18,497,057 |
| Non-trade payable | | 7,622,177 | 7,739,856 |
| Accrued expenses | | 3,568,960 | 3,195,020 |
| Unearned membership dues | 11 | 6,991,845 | 2,736,792 |
| Auctioned membership certificate liability | 11 | 1,347,231 | 1,347,231 |
| Funds held in trust | | 707,328 | 550,993 |
| Provision | | 695,346 | 695,346 |
| Assignee deposit payable | | 579,911 | 639,661 |
| Due to government agencies | | 286,564 | 451,625 |
| Deferred revenue | 11 | 236,199 | 3,052,946 |
| Refundable deposits | 12 | 650,000 | 575,000 |
| | | 42,348,565 | 39,481,527 |

Accounts payable and non-trade payable are noninterest-bearing and are payable on 30 to 180 days credit terms.

Accrued expenses consist mainly of accrual for professional fees, electricity, water, repairs and maintenance, postage, communication and payroll. These are normally paid within 30 days.

Unearned membership dues are cash collections from members for their monthly dues received in advance.

Auctioned membership certificate liability refers to the unclaimed net proceeds or the excess of the bid price over the amount of receivables from delinquent members sold at auction. These are due on demand.

Funds held in trust pertain to various assessment fees to cover the Club's team expenses for participating and representing the Club at the various tournaments; the assistance to employees and caddies; and the raffled items given away in the Club-sponsored tournaments.

The movement of the provision follows:

| | Note | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Beginning balances | | 695,346 | 695,346 | 21,860,180 |
| Reversal | 18.3 | - | - | (21,164,834) |
| Ending balances | | 695,346 | 695,346 | 695,346 |

In 2019, the Club reversed the provision amounting to P21,164,834 because the outflow of cash is no longer probable based on the developments of the claims in 2019.

Assignee deposit payable pertains to collections from assignees of playing rights of members that will cover any unpaid dues upon expiration of their contract of assignments which usually expires within a year. These are normally settled within 30 days upon clearance of account is obtained by the assignee from the Club.

Due to government agencies pertain to various withholding taxes and other government contributions and taxes. These are normally settled within 30 days.

Deferred revenues pertain to unused members' consumables.

**Note 9 - Leases**

In March 2021, March 2020 and November 2019, the Club purchased brand new transportation equipment and golf course equipment and carts, respectively, through financing arrangements with a third-party financing company.

Lease terms are negotiated on an individual basis and vary in terms and conditions. The ownership of the purchased assets shall be under the lessor. Only upon the full payment of the lease shall the lessor issue a deed of absolute sale in favor of the Club.

*(i) Amounts recognized in the statements of financial position*

The statements of financial position show the following amounts relating to leases:

| | 2021 | 2020 |
|---|---|---|
| *Right-of-use assets* | | |
| Golf course equipment | 3,364,286 | 5,997,429 |
| Ground maintenance equipment | 552,977 | 1,026,957 |
| Transportation equipment | 1,019,142 | - |
| | 4,936,405 | 7,024,386 |
| *Lease liabilities* | | |
| Current | 2,997,215 | 2,706,534 |
| Non-current | 495,344 | 2,650,070 |
| | 3,492,559 | 5,356,604 |

Right-of-use assets are presented in property and equipment under golf course equipment (Note 7).

Movement in lease liabilities for the years ended December 31, 2021 and 2020 are as follows:

| | | | Non-cash changes | | |
|---|---|---|---|---|---|
| | January 1 | Principal and interest payments | Additions during the year | Interest expense | December 31 |
| 2021 | 5,356,604 | 3,473,421 | 1,091,200 | 518,176 | 3,492,559 |
| 2020 | 7,566,402 | 4,294,777 | 1,421,941 | 663,038 | 5,356,604 |

*(ii) Amounts recognized in the statements of total comprehensive income for the years ended December 31 are as follows:*

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Depreciation expense | | | |
| Golf course equipment | 2,633,143 | 2,633,143 | 219,429 |
| Ground maintenance equipment | 473,980 | 394,984 | - |
| Transportation equipment | 339,714 | - | - |
| | 3,446,837 | 3,028,127 | 219,429 |
| Interest expense (included in interest expense) | 518,176 | 663,038 | 57,365 |
| Expense relating to leases of low-value assets that are not shown above as short-term leases (included in operating expenses) | 518,284 | 530,699 | 487,406 |
| | 4,483,297 | 4,221,864 | 764,200 |

The total cash outflow for leases for the year ended December 31, 2021 is P3,991,705 (2020 - P4,825,476). This includes short-term leases and leases of low-value assets for the year ended December 31, 2021 amounting to P518,284 (2020 - P530,699).

*(iii) Discount rate*

Payments for leases of properties and equipment are discounted using implicit interest rate based on the rate charged by the third-party financing company

*(iv) Extension and termination options*

No extension and termination options are included in any of the leases of the Club. The renewal of the agreement is dependent on the mutual agreement with the lessor and subject to renegotiation.

**Note 10 - Shares of delinquent members acquired through auctions**

This represents delinquent shares acquired by the Club through auctions pursuant to the Club's By-laws.

In 2021, the Club reissued 1 share (2020 - 6 shares; 2019 - 11 shares) amounting to P275,000 (2020 - P2,491,734; 2019 - P3,024,999).

In 2021, the Club acquired 38 shares (2020 - 31 shares; 2019 - nil) of delinquent members with net book value of P1,511,462 (2020 - P3,734,117; 2019 - nil).

**Note 11 - Related party transactions**

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

There is a currently enforceable legal right to offset related party balances and it is the related parties' intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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

The following table provides the summary of Club's transactions and outstanding balances with related parties as at and for the years ended December 31:

| | | Transaction amounts | | | Due from (due to) related parties | | |
|---|---|---|---|---|---|---|---|
| | Ref. | 2021 | 2020 | 2019 | 2021 | 2020 | Terms and conditions |
| Members' assessments | *a* | | | | | | |
| *Members* | | 52,075,700 | 47,383,119 | 44,550,500 | 4,980,961 | 8,530,098 | These are collectible in cash, unsecured and interest bearing, collectible within 30 days credit terms. |
| Revenues from clubhouse operations | *b* | | | | | | |
| *Entities under common control* | | 64,109 | 381,824 | 605,049 | 11,434,424 | 11,328,869 | These are collectible in cash, unsecured and non-interest bearing, collectible on demand but not later than 12 months from reporting period. |
| | | | | | 16,415,385 | 19,858,967 | |
| Unearned membership dues (Note 8) | | | | | | | |
| *Members* | | - | - | - | (6,991,845) | (2,736,792) | These are cash collections from members for their monthly dues received in advance. |
| Deferred revenue (Note 8) | | | | | | | |
| *Members* | | - | - | - | (236,199) | (3,052,946) | These pertain to unused members' consumables. |
| Auctioned membership certificate liability (Note 8) | | | | | | | |
| *Members* | | - | - | - | (1,347,231) | (1,347,231) | This refers to the unclaimed net proceeds or the excess of the bid price over the amount of receivables from delinquent members sold at auction. These are due on demand. |
| Purchase of service | *c* | | | | | | |
| *Entities under common control* | | 871,636 | 502,124 | 3,243,892 | (2,290,148) | (4,526,176) | These are unsecured, unguaranteed, non-interest bearing and payable in cash within 30 days term. |

*(Forward)*

| | Ref. | Transaction amounts 2021 | 2020 | 2019 | Due from (due to) related parties 2021 | 2020 | Terms and conditions |
|---|---|---|---|---|---|---|---|
| Electricity | *d* | | | | | | |
| *Entities under common control* | | 2,389,501 | 3,170,954 | 5,089,784 | (779,335) | (245,664) | These are unsecured, unguaranteed, non-interest bearing and payable in cash within 30 days term. |
| Golf course maintenance | *e* | | | | | | |
| *Entities under common control* | | 20,677,720 | 19,672,137 | 23,056,343 | (1,326,427) | (798,333) | These are settled in cash, unsecured and non-interest bearing, payable within credit terms but not later than 12 months from reporting period. |
| | | | | | (12,971,185) | (12,707,142) | |

There are no collaterals held or guarantees issued with respect to related party transactions and balances.

The Club's BOD, through its regular and special BOD meetings, approves every new related party transactions as part of the Club's corporate governance policy.

*(a) Members' assessments*

The Club receives membership fees, dues, assignment and transfer fees for the transfer of membership from a member to its successor and special assessment from members which are stated in the Club's policies as approved by the Club's Board of Governors and are presented under members' assessments in the statement of total comprehensive income. As at December 31, 2021, allowance for doubtful accounts related to these transactions amounted to P1,791,428 (2020 - P2,015,549) (Note 3).

The Amended Articles of Incorporation and By-laws, as discussed in Note 13, stipulates that shares issued to CJH DevCo and the owners of the land transferred to the Club (Primary Members) are deemed as non-activated shares and shall be exempt from payment of monthly dues until they are activated or are transferred by the Primary Members.

*(b) Revenues from clubhouse operations*

The Club's billings to related parties represent accounts of terminated local playing rights, share in Lake 7 water consumption and other charges which include, among others, green fees, tournament fees and sponsorships which are recorded as part of revenues from clubhouse operations in the statement of total comprehensive income (Note 14).

The Club and Camp John Hay Hotel Corp. (CJH Hotel) offers golf packages for those who want to play golf and stay at the hotel. Charges for the use of the Club's amenities are billed and collected through CJH Hotel, except for the hotel charges of other related parties during tournaments. Purchases represent CJH Hotel's purchase of pro-shop goods from the Club which are included as part of pro-shop revenues under the statement of total comprehensive income (Note 14).

The Club and Camp John Hay Suites (The Forest Lodge) offers golf packages for those who want to play golf and stay at the suite. Charges for the use of the Club's amenities are billed and collected through The Forest Lodge, except for the suite charges of other related parties during tournaments. Revenues from The Forest Lodge represent green fees, golf cart rentals, and golfer's insurance. Purchases represent The Forest Lodge's purchase of pro-shop goods from the Club which are included as part of pro-shop revenues under statement of total comprehensive income.

*(c) Purchases of service*

The Club's purchase of service with a related party includes accommodations for the club tournament players.

*(d) Electricity*

The Club pays its electricity charges through CJH DevCo including streetlights around Clubhouse which are recorded as part of communication, light and water under costs of goods sold and services in the statement of total comprehensive income (Note 15).

*(e) Golf course maintenance*

Under the Assignment contract between the Club and CJH DevCo (Note 7), the Club pays monthly maintenance dues to CJH DevCo for the maintenance of the common areas including roads inside the camp. Maintenance fees, including share in common expenses such as security and use of road, are reflected as repairs and maintenance under costs of goods sold and services in the statement of total comprehensive income (Note 15).

The Club also has an existing Golf Course Maintenance Agreement (the Agreement) with Golforce, whereby the latter manages and maintains the 18-hole golf course subject to the terms and conditions set forth in the Agreement. Maintenance fees are included in "repairs and maintenance" under "costs and operating expenses other than depreciation" account in the profit or loss (Note 15).

## 11.1 Offsetting of financial assets and financial liabilities

The financial assets and financial liabilities set-off and presented at net amounts as at December 31 in the statements of financial position are as follows:

*Due from related parties*

| | Gross amount of recognized financial assets | Gross amount of recognized financial liabilities set off in the statement of financial position | Net amount financial assets presented in the statement of financial position | Related amounts not set off in the statement of financial position | | Net amount |
|---|---|---|---|---|---|---|
| | | | | Financial instruments | Cash collateral received | |
| 2021 | 16,415,385 | (2,740,022) | 13,675,363 | - | - | 13,675,363 |
| 2020 | 19,858,967 | (2,232,910) | 17,626,057 | - | - | 17,626,057 |

*Due to related parties*

| | Gross amount of recognized financial liabilities | Gross amount of recognized financial assets set off in the statement of financial position | Net amount financial liabilities presented in the statement of financial position | Related amounts not set off in the statement of financial position | | Net amount |
|---|---|---|---|---|---|---|
| | | | | Financial instruments | Cash collateral received | |
| 2021 | 12,971,185 | (2,740,022) | 10,231,163 | - | - | 10,231,163 |
| 2020 | 12,707,142 | (2,232,910) | 10,474,232 | - | - | 10,474,232 |

The net amount of due from receivables is shown as part of "receivables from members and related parties" under "receivables, net" account in the statements of financial position (Note 3). The net amount of due to related parties is shown in the statements of financial position and under Accounts payable and other current liabilities (Note 8).

## 11.2 Transactions with key management personnel

(a) As at December 31, 2021, the Club has unsecured noninterest-bearing receivables from officers amounting to P574,256 (2020 - P764,700). These receivables are due and demandable and settlement occurs in cash. Allowance for ECL recognized as at December 31, 2021 amounted to P516,813 (2020 - P764,700) (Notes 3).

(b) Compensation and benefits to key management personnel of the Club are as follows:

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Short-term employee benefits | 2,733,750 | 3,250,000 | 3,250,000 |
| Retirement benefits cost | 103,999 | 258,838 | 180,337 |
| | 2,837,749 | 3,508,838 | 3,430,337 |

## Note 12 - Refundable deposits

Refundable deposits represent golf course maintenance deposits collected from members and non-members with playing rights and are refundable in 2046, the end of the lease term (Note 7).

Refundable deposits, due to its long-term in nature, have been discounted to its present value. The difference between the gross amount of deposits and its present value is amortized over the term of the lease, thereby recognizing interest income using the effective interest rate prevailing at the time the liability was established. The amount of discounted deposit is accreted to the estimated future liability based on the effective interest rate method. Interest expense on accretion is recognized directly in profit or loss.

Details of refundable deposits are as follows:

| | Note | 2021 | 2020 |
|---|---|---|---|
| Total deposits at face value | | 23,375,000 | 23,575,000 |
| Unamortized discount | | (12,590,740) | (13,230,689) |
| Net carrying amount | | 10,784,260 | 10,344,311 |
| Current portion | 8 | (650,000) | (575,000) |
| Noncurrent portion | | 10,134,260 | 9,769,311 |

The movement of refundable deposits is as follows:

| | Note | 2021 | 2020 |
|---|---|---|---|
| Balance at beginning of year | | 10,344,311 | 9,223,689 |
| Additions during the year | | 650,000 | 575,000 |
| Cancellations during the year | | (850,000) | (25,000) |
| Accretion of interest during the year | 18.2 | 639,949 | 570,622 |
| Balance at end of year | | 10,784,260 | 10,344,311 |

## Note 13 - Membership certificates and amendments to by-laws

### 13.1 Track Record of Registration of Securities

The following summarizes the information on the Club's registration of securities under the Securities Regulation Code (SRC):

| Date of SEC approval | Authorized shares | Number of shares issued | Issue/offer price |
|---|---|---|---|
| May 2, 1997 | 2,500 | 2,500 | 1,800,000 |

Founders' certificates shall be limited to the registered owners of Founder certificates. Regular certificates may be sold to any person, partnership, corporation or association, irrespective of nationality. Playing rights shall be granted to not more than 200 Baguio residents only. Holders of playing rights shall have no voting rights and participation in the operations of the Club. Playing rights are not assignable.

All the proprietary certificates are to be issued subject to the conditions and limitations laid down in the Club's Articles of Incorporation.

As defined in the Club's By-laws, ownership of all membership shares of the Club is subject to the following restrictive conditions:

- Except for the ten founders' certificates, voting rights of the regular certificates were suspended for five years from and after the approval of the Club's Articles of Incorporation until 2002. Thereafter, the voting rights of the regular certificates were automatically revived, thus, putting them on equal footing in all respects with the founders' certificates. However, only bonafide individual regular members and judicial regular members, through their duly designated and accepted representatives, all of whom shall be in good standing shall have the right to vote at any meeting of the members.
- Members shall have no right to or participation in the Club's assets and no member shall possess any inheritable, transferable or assignable proprietary interest in the assets of the Club. As discussed in Note 7, upon dissolution, termination or liquidation, all of the assets of the Club shall revert to CJH DevCo.
- The registered owner of any class of membership shall be subject to the payment of monthly dues in such amounts as may be prescribed by the resolution of the BOG to meet the expenses for the operations of the Club and the maintenance of its improvement and facilities. In the event of delinquency in the payment of monthly dues, the membership may be ordered by the BOG in the manner provided in the By-laws to satisfy said dues and other obligations of the member.

On December 16, 2004, the BOG approved a resolution on the proposed amendments to the Club's By-laws. The members of the Club approved the said amendments during their January 28, 2005 special meeting. On August 6, 2010, the BOG approved further amendments to the Club's By-laws which were required by the SEC. The members of the Club approved the SEC required amendments during their October 22, 2010 special meeting. On February 14, 2011, the SEC approved the amended By-laws. The amendments, in gist, are as follows:

- That the number of governors of the Club shall be eleven.
- Owners of playing rights must be registered homeowners of a property located in the City of Baguio. Playing rights of Baguio residents may be terminated: (a) by death; (b) by forfeiture; and, (c) when he ceases to be a registered homeowner of a property located in the City of Baguio.
- Members of the Club shall be classified as primary members or secondary members. Primary members refer to CJH DevCo and the owners of the land transferred to the Club which are recipients of primary issuances of shares of the Club. Such shares issued to primary members are deemed as non-activated shares and shall be exempt from the payment of monthly dues until they are activated or are transferred by the primary member. Secondary members refer to all other members who are not primary members. Secondary membership in the Club shall be classified as regular members, honorary member, assignee member or founding member.
- Activated memberships refer to those memberships which have been activated and to memberships transferred by primary members to third parties. A membership is activated the first time when any owner or holder thereof is admitted for membership except in the case of primary members. Once activated, a membership continues to possess the status of an activated membership although a subsequent transfer or assignee of the membership may not have been admitted for membership.
- Non-activated memberships refer to those memberships where neither past nor present owners nor holders of the memberships have been admitted for membership in accordance with the By-laws and those memberships issued to primary members until they are transferred to third parties.
- Regular members are natural members who are registered in the books of the Club as owners of regular memberships of the Club, or the duly designated representatives of juridical entities in whose names regular memberships have been registered in the books of the Club.

- Subject to rules and regulations duly promulgated by the BOG, regular members are entitled to use all the facilities and privileges of the Club, except in the event of delinquency or suspension of such members as provided in the By-laws and subject to the rules and regulations of the Club. Subject to limitations and restrictions provided in the Articles of Incorporation and in the By-laws, regular members shall have the right to vote and to hold office. A juridical regular member may designate in writing only one person as its representative to the Club for each membership certificate registered in its name subject to the prior approval of the BOG. A transfer fee in such amount as may be prescribed by the BOG shall be charged for every change in the designated representative of a juridical regular member.
- Unless otherwise required by the BOG, honorary members shall not be assessed any fee for the use of the facilities of the Club, nor shall they be assessed monthly dues or any other assessment.
- Subject to the suspension of voting rights during the five-year period, only bonafide regular members in good standing shall have the right to vote at any meeting of the members.
- Upon the sale, assignment or transfer of an activated membership, all fees, dues and assessments falling due on or after the date of the corresponding deed shall continue to be responsible for the payment of all bills and accounts which he incurred prior to and until the outstanding bills and accounts of the Club have been fully paid and a discharge has been issued by the General Manager.
- All members of the Club owning more than one membership (except for the primary members) are required to pay all Club fees, dues and assessments for each activated membership owned and/or held.
- The payment of Club fees, dues and assessments does not automatically activate the membership.
- On the date and hour fixed, the Membership Committee shall proceed with the auction by public bidding to be conducted by a Notary Public in accordance with the bidding procedure recommended by the Membership Committee and approved by the BOG. The certificate shall be awarded to the highest bidder provided that in such auction, the Club may bid the amount of its receivables from the delinquent member of holder. The Notary Public shall execute a Certificate of Sale to the highest bidder.
- A description of the rights and privileges of Primary Members, particularly their rights over the facilities of the Club was included therein.
- The process of how the shares issued to Primary Members are activated was included in the By-laws.
- Applicants for membership must first be prequalified before they are allowed to purchase or transfer a membership in their name, in implementation of Rule 12.1 (8) (A) (iii) of the Implementing Rules of the SRC.

### 13.2 Rollforward of outstanding membership certificates

| | Issued membership certificates | Shares of delinquent members acquired through auctions | Reissued shares of delinquent members | Outstanding membership certificates |
|---|---|---|---|---|
| Balance, January 1, 2019 | 2,500 | (227) | 55 | 2,328 |
| Reissued during the year | - | - | 11 | 11 |
| Balance, December 31, 2019 | 2,500 | (227) | 66 | 2,339 |
| Reissued (acquired) during the year | - | (31) | 6 | (25) |
| Balance, December 31, 2020 | 2,500 | (258) | 72 | 2,314 |
| Reissued (acquired) during the year | - | (38) | 1 | (37) |
| Balance, December 31, 2021 | 2,500 | (296) | 73 | 2,277 |

### 13.3 Basic/diluted loss per share

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Excess of expenses over revenues after income tax | (18,711,486) | (28,528,268) | (2,523,426) |
| Divided by the average number of membership shares outstanding during the year | 2,294 | 2,341 | 2,333 |
| Basic/diluted loss per share | (8,157) | (12,186) | (1,082) |

The Club has no financial instrument or other contract that may entitle its holder to common shares that would result to diluted loss per share.

## Note 14 - Revenue

The Club derives revenue from sale of goods and services at a point in time and over time as follows:

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Over time | | | |
| Green fees and tournament fees | 5,318,764 | 13,077,419 | 22,765,913 |
| Concessionaires' fees | - | 56,808 | 470,504 |
| | 5,318,764 | 13,134,227 | 23,236,417 |
| At a point in time | | | |
| Merchandise sales | 1,802,085 | 2,208,966 | 4,819,754 |
| Unused consumables | 5,014,266 | - | 2,203,087 |
| Golf cart rentals | 4,320,460 | 3,407,886 | 2,678,808 |
| Driving range | 58,394 | 86,074 | 261,882 |
| | 11,195,205 | 5,702,926 | 9,963,531 |
| Total revenue from contracts with customers | 16,513,969 | 18,837,153 | 33,199,948 |

*Contract Balances*

The Club's receivables as at December 31, 2021 and 2020 are disclosed in Note 3.

As at December 31, 2021, the Club's contract liabilities, representing unearned membership dues and unused consumables, amounted to P7,228,044 (2020 - P5,789,738) (Note 8). These are recognized as revenue upon actual performance of the service and lapse of the expiration period for using the consumables, respectively.

## Note 15 - Costs of goods sold and services

The components of cost of goods sold and services for the years ended December 31 are as follows:

| | Notes | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Repairs and maintenance | 11 | 22,246,210 | 20,570,686 | 21,302,192 |
| Personnel expenses | 17 | 12,464,529 | 11,979,886 | 13,061,478 |
| Security services | | 4,181,898 | 3,964,646 | 4,680,133 |
| Communication, light and water | 11 | 2,913,930 | 4,536,009 | 7,086,241 |
| Outside service | | 2,543,921 | 3,183,118 | 4,870,324 |
| Materials, supplies and facilities | | 2,347,832 | 9,881,714 | 11,645,281 |
| Cost of inventories sold | 5 | 1,246,503 | 1,335,485 | 2,351,798 |
| Professional fees | | 24,726 | 24,757 | 406,579 |
| | | 47,969,549 | 55,476,301 | 65,404,026 |

## Note 16 - Operating expenses other than depreciation

Operating expenses other than depreciation for the years ended December 31 consists of:

| | Notes | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Personnel expenses | 17 | 5,126,315 | 5,535,398 | 5,334,970 |
| Professional fees | | 2,672,442 | 2,675,757 | 2,294,436 |
| Repairs and maintenance | 11 | 963,595 | 713,749 | 2,565,452 |
| Insurance | | 893,643 | 834,922 | 768,114 |
| Rent | 9 | 518,284 | 530,699 | 487,406 |
| Communication, light and water | 11 | 495,897 | 537,629 | 667,385 |
| Credit card collection expense | | 424,350 | 391,851 | 538,170 |
| Entertainment, amusement and recreation | | 416,493 | 502,564 | 926,614 |
| Materials, supplies and facilities | | 307,476 | 338,081 | 609,538 |
| Taxes and licenses | | 281,841 | 309,751 | 573,359 |
| Transportation and travel | | 153,991 | 851,602 | 735,782 |
| (Reversal of) Provision for impairment of receivables | 3 | (472,008) | 575,975 | 4,489,805 |
| Others | | 589,942 | 173,410 | 196,303 |
| | | 12,372,261 | 13,971,388 | 20,187,334 |

## Note 17 - Personnel expenses

Personnel expenses for the years ended December 31 consists of:

| | Notes | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Salaries and wages | | 12,436,496 | 12,950,301 | 13,519,501 |
| Meal allowance | | 1,418,369 | 1,691,905 | 1,704,733 |
| Statutory and health benefits | | 1,542,542 | 1,556,912 | 1,547,426 |
| Retirement benefits cost | 19 | 1,022,968 | 892,546 | 667,916 |
| Employee uniforms | | 159,452 | 63,618 | 491,121 |
| Life insurance benefit | | 46,702 | 51,416 | 53,466 |
| Employee training | | 45,024 | 30,000 | 73,500 |
| Other benefits | | 919,291 | 278,586 | 338,785 |
| | | 17,590,844 | 17,515,284 | 18,396,448 |
| Personnel expenses are allocated as: | | | | |
| Cost of goods sold and services | 15 | 12,464,529 | 11,979,886 | 13,061,478 |
| Operating expenses | 16 | 5,126,315 | 5,535,398 | 5,334,970 |
| | | 17,590,844 | 17,515,284 | 18,396,448 |

Other benefits pertain to various medical vaccinations and loyalty awards provided to its employees.

## Note 18 - Interest income, interest expense and other income

### 18.1 Interest income

The sources of the Club's interest income for the years ended December 31 are as follows:

| | Notes | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Receivable from members | 3 | 385,858 | 1,361,105 | 53,427 |
| Cash | 2 | 7,491 | 11,798 | 17,416 |
| | | 393,349 | 1,372,903 | 70,843 |

### 18.2 Interest expense

The sources of the Club's interest expense for the years ended December 31 are as follows:

| | Notes | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Interest accretion of refundable deposits | 12 | 639,949 | 570,622 | 511,160 |
| Finance charges | 9 | 518,176 | 663,038 | 163,760 |
| | | 1,158,125 | 1,233,660 | 674,920 |

### 18.3 Other income, net

The details of Club's other income, net for the years ended December 31 follows:

| | Notes | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Concessionaires' share in utilities | | 573,166 | 501,197 | 1,446,859 |
| Golf cart barn fees and venue rental | | 345,000 | 348,000 | 410,000 |
| Golfer's insurance admin fee | | 50,987 | 51,177 | 43,491 |
| Unrealized gain on changes in fair value of financial asset at FVTPL | 4 | 8,005 | 14,128 | 40,649 |
| Locker and club rental | | 7,000 | 168,254 | 1,542,018 |
| Reversal of provision for probable losses | 8 | - | - | 21,164,834 |
| Others | | (209,448) | (998,644) | 2,498,951 |
| | | 774,710 | 84,112 | 27,146,802 |

Concessionaires' share in utilities pertains to the electricity and water consumption of the concessionaires, which are billed by the Club.

Golf cart barn fees and venue rental pertains to income from the garage fee of private golf carts and private function venue rentals.

Locker and club rental pertain to the locker and Club amenities usage by the Club's guests.

Others include collections received from lost fairway towels, fax and photocopying fees, unaccounted membership dues that have been forfeited and late payment charges. In 2020, others also include write-off of unrecoverable input VAT and advances to suppliers.

## Note 19 - Retirement benefit obligation

The Club has an unfunded, non-contributory defined benefit retirement plan which covers all of its regular employees. The benefits provided in the plan are based on the number of years of service and compensation on the last year of employment. The Club recognizes the amount of retirement benefits that need to be accrued following the minimum retirement benefit required by Republic Act 7641 (the "Act"). An independent actuary conducted an actuarial valuation of the unfunded defined benefit plan using the projected unit credit cost method based on the provisions of the Act.

Actuarial valuation is performed by an independent actuary using the projected unit credit method on an annual basis and based on retirement age of 60.

Movements in the present value of the defined benefit obligation for the year ended December 31 are as follows:

| | Note | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Beginning balance | | 4,790,223 | 3,663,166 | 2,593,753 |
| Retirement benefits cost in profit or loss: | | | | |
| Current service cost | | 832,317 | 689,607 | 468,197 |
| Interest cost | | 190,651 | 202,939 | 199,719 |
| | 17 | 1,022,968 | 892,546 | 667,916 |
| Remeasurement loss (gain) from: | | | | |
| Changes in financial assumptions | | (886,652) | 652,950 | 668,251 |
| Changes in demographic assumptions | | (36,278) | - | - |
| Experience adjustments | | 1,818,631 | (418,439) | (266,754) |
| | | 895,701 | 234,511 | 401,497 |
| Benefits paid | | (1,952,570) | - | - |
| Ending balance | | 4,756,322 | 4,790,223 | 3,663,166 |

The movements in the reserve for remeasurement of retirement benefits on the statement of financial position for the years ended December 31 are as follows:

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Cumulative remeasurement gain at January 1 | 1,736,280 | 1,970,791 | 2,372,288 |
| Remeasurement loss for the year | (895,701) | (234,511) | (401,497) |
| Cumulative remeasurement loss at December 31 | 840,579 | 1,736,280 | 1,970,791 |

The principal actuarial assumptions used were as follows:

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Discount rate | 5.18% | 3.98% | 5.54% |
| Salary increase rate | 7.00% | 7.00% | 7.00% |

*Discount rate*

The discount rate is determined by reference to yields on long-term Philippine Treasury Bonds and adjusted to reflect the term similar to the estimated term of the benefit obligation as determined by the actuary as at the end of the reporting period as there is no deep market in high quality corporate bonds in the Philippines.

*Future salary rate increases*

This is the expected long-term average rate of salary increase taking into account inflation, seniority, promotion and other market factors. Salary increases comprise of the general inflationary increases plus a further increase for individual productivity, merit and promotion. The future salary increase rates are set by reference over the period over which benefits are expected to be paid.

*Demographic assumptions*

Actuarial assumptions also include turnover rates of the Club's employees which are generally based on Group Annuity Mortality Table prepared by the actuary.

Assumptions regarding mortality experience are set based on advice from published statistics and experience.

Expected maturity analysis of undiscounted retirement benefit payments as at December 31 is as follows:

| | 2021 | 2020 |
|---|---|---|
| Less than one year | 260,544 | 204,651 |
| More than one year to five years | 94,114 | 3,302,411 |
| More than five years to ten years | 2,711,107 | 2,876,673 |
| | 3,065,765 | 6,383,735 |

The average duration of the defined benefit obligation as at December 31, 2021 is 14 years (2020 - 10 years).

*Critical accounting estimate: Retirement benefit obligation*

The present value of the retirement benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for retirement benefit include the discount rate and future salary increases. Any changes in these assumptions will impact the carrying amount of retirement benefit obligation.

The Club determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligation. In determining the appropriate discount rate, the Club considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement benefit obligation and related retirement benefit expense.

Other key assumptions in determining retirement benefit obligation are based in part on current market conditions.

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

| | Increase (Decrease) in Basis Points | Increase (decrease) in defined benefit obligation 2021 | 2020 |
|---|---|---|---|
| Discount rate | +1.00% | (603,810) | (437,585) |
| | -1.00% | 724,718 | 520,476 |
| Salary increase rate | +1.00% | 704,028 | 499,375 |
| | -1.00% | (599,533) | (429,910) |

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement liability recognized within the statements of financial position.

**Note 20 - Registration with the John Hay Special Economic Zone (JHSEZ) and tax implications (VAT and Income Tax) on Club's transactions**

On April 15, 2002, the Club became a registered enterprise in the John Hay Special Economic Zone (JHSEZ) in accordance with Republic Act (R.A.) No. 7227, known as the Bases Conversion and Development Act of 1992 (the Act), Presidential Proclamation 420, Customs Administrative Order 2-98, Bureau of Internal Revenue (BIR) Revenue Regulations (RR) 1-95, as amended, and Implementing Rules and Regulations (IRR) on the JHSEZ. As such, the Club enjoys all rights, privileges and benefits established under the Act and the JHSEZ IRR, which include, among others, a preferential rate of 5% of gross income earned in lieu of all local and national taxes, tax-and-duty free importations of raw materials, capital equipment and household and personal items pursuant to Section 12(b) and 12(c) of the Act.

On October 24, 2003, the Supreme Court En Banc promulgated a decision nullifying the regime of tax and duty exemptions, as well as financial incentives and other privileges within the JHSEZ conferred by Section 3 of Proclamation No. 420 for being violative of Article VI, Section 28 (4) of the Philippine Constitution. On March 29, 2005, Supreme Court (SC) issued a resolution denying with finality the Motions for Reconsideration of BCDA and intervenor CJH DevCo. BCDA filed a Motion for Leave to file a second Motion for Reconsideration which was also denied in a Resolution dated June 15, 2005.

On March 20, 2007, President Gloria Macapagal-Arroyo approved R.A. 9400, "An Act Amending R.A. 7227, as Amended, otherwise known as the Bases Conversion and Development Act of 1992 and for Other Purposes," which restores the preferential income tax rate of 5% of registered enterprises within the freeport and special economic zones including JHSEZ. In addition, the President approved R.A. 9399, "An Act Declaring a One-Time Amnesty on Certain Tax and Duty Liabilities, Inclusive of Fees, Fines, Penalties, Interests and Other Additions Thereto, Incurred by Business Enterprises Operating Within the Special Economic Zones and Freeports," which provides that business enterprises may avail of the benefits of remedial tax amnesty granted on tax and duty liabilities, including fines and penalties and interests incurred or might have been incurred as a result of the SC rulings in July 2005. R.A. 9399 also provides that business enterprises in the said areas are required to pay P25,000 within six months from the effectivity of the law. R.A. 9399 was a combination of Senate Bill 2259 and House Bill 4901.

Pending issuance of the IRR, the Club applied in 2006 the regular corporate income tax rate of 35% without prejudice to the contractual rights and remedies available to JHSEZ enterprises.

In 2007, pursuant to R.A. 9400 and the issuance of a Certificate of Registration ("COR") from John Hay Management Corporation (JHMC), the Club adopted the 5% preferential income tax treatment on its Gross Income as provided by R.A. 7227 and changed its registration with the BIR effective May 15, 2007 from value-added tax (VAT) to non-VAT taxpayer.

Consequently, the Club adopted the 5% preferential income tax treatment on its Gross Income as provided by R.A. 7227. The IRR was later issued on February 13, 2008 by the Department of Finance with Department Order No. 3-08.

The Club's Certificate of Registration expired on November 19, 2013. It has since applied for the renewal of the said registration and, accordingly, submitted all requirements and paid all fees to JHMC. As of April 20, 2021, JHMC has not acted on the Club's renewal application.

In view of the release of the award in CJH Development Corporation v. Bases Conversion and Development Authority, PDRCI Case No. 60-2013 on February 11, 2015 as fully discussed in Note 28 to the financial statements, such renewal of the COR is not forthcoming because of the rescission of the Contract of Lease ("COL") between CJH DevCo and BCDA due to the parties' mutual breach. Significantly, in the same award, the Arbitral Panel did not uphold the BCDA's earlier rescission of the COL in July 2014, which the JHMC cited as the reason for the non-renewal of the COR. There is no more reason, therefore, for the JHMC to have withheld the COR for 2014. Accordingly, based on the assessment of management and Poblador Bautista & Reyes ("PBR"), the Club's legal counsel, the Club may be deemed to be legally a holder of a COR for the year 2014, which was withheld by JHMC.

In 2015, management and Poblador Bautista & Reyes ("PBR") revisited their assessment and determined that the non-issuance/renewal by JHMC of the Club's COR removed then the Club's entitlement to the incentives associated with the JHSEZ. As such, it subjected then to income tax as an ordinary corporation and cannot avail itself of the 5% "in lieu of all taxes" preferential tax rate. It also subjected then to 12% value-added tax ("VAT"), as opposed to zero percent (0%) VAT had the Club's COR been renewed.

On June 2, 2016, the Club processed its VAT registration and started to recognize output tax on its revenues starting in August 2016. In addition, the Club applied 30% regular corporate income tax rate in computing for its income taxes.

On August 13, 2019, the Supreme Court (SC) under SC GR No. 228539 issued a decision whether the membership fees, assessment dues and fees of similar in nature collected by clubs which are organized and operated exclusively for pleasure, recreation and other non-profit purposes subject to income tax and VAT.

Under this ruling, as long as the membership fees, assessment dues and the like are treated as collections by recreational clubs from their members as an inherent consequence of their membership, and are, by nature, intended for the maintenance, preservation, and upkeep of the club's general operations and facilities, the fees cannot be classified as income subject to tax. In addition, the SC supported the position that these fees are not subject to VAT because in collecting such fees, the club is not selling its service to the members. Conversely, the members are not buying services from the club when dues are paid. Hence, there is no economic or commercial activity to speak of as these dues are devoted for the operations and maintenance of the facilities of the club.

Accordingly, starting September 2020, the Club has not been charging VAT on its membership dues, assignment and transfer fees. These are also being exempt from income tax.

**Note 21 - Income taxes**

On March 26, 2021, RA No. 11534, otherwise known as CREATE, was signed into law. Under the CREATE bill, effective July 01, 2020, the existing 30% corporate income tax rate shall be amended as follows:

- reduction of corporate income tax (CIT) rate to 20% applicable to domestic corporations with total net taxable income not exceeding P5,000,000 and with total assets not exceeding P100 Million (excluding land on which the business entity's office, plant and equipment are situated);
- reduction of CIT rate to 25% shall be applicable to all other corporations subject to regular CIT
- Minimum Corporate Income Tax (MCIT) rate shall also be amended to 1%, instead of 2%, for the period beginning July 01, 2020 until June 30, 2023.

Under CREATE, corporate taxpayers shall prepare their annual income tax return for the calendar year 2020 using the pro-rated CIT rate for CY2020 reckoned from July 1, 2020 (retrospective effect).

As a result of the change in CIT rate and effectivity of CREATE in March 2021, the Club remeasured its current and deferred income tax using the new income tax rates.

The application of the reduction in CIT rate resulted in:

- recognition of deferred income tax benefit in other comprehensive income amounting to P12,858,721 which is taken to revaluation surplus; and
- reduction of corresponding deferred income tax liability on revaluation surplus by P12,858,721.

*Deferred income tax (DIT)*

a. DIT assets have not been recognized since the management believes that the Club may not have sufficient taxable income in the future for it to be able to realize the benefits of the related deferred income tax assets:

| | 2021<br>At 25% | 2020<br>At 30% |
|---|---|---|
| To profit or loss: | | |
| Retirement benefit obligation | 4,756,322 | 4,790,223 |
| Net operating loss carry over (NOLCO) | 41,415,521 | 24,522,629 |
| Minimum corporate income tax (MCIT) | 104,937 | 330,383 |
| | 46,276,780 | 29,643,235 |

b. The Club's DIT liability pertains to the tax effect of the revaluation surplus. The movement in the DIT liability recognized in the statements of total comprehensive income is as follows:

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Beginning of year | 77,152,325 | 82,663,206 | 61,618,385 |
| *Charged to profit or loss* | | | |
| Deferred tax benefit from revaluation surplus absorbed through depreciation | (4,592,400) | (5,510,881) | (4,739,876) |
| *Charged to other comprehensive income* | | | |
| Deferred tax expense from change in tax rates | (12,858,721) | - | - |
| Deferred tax expense from additional revaluation surplus | - | - | 25,784,697 |
| End of year | 59,701,204 | 77,152,325 | 82,663,206 |

The Tax Return Act of 1997 (the "Act") introduced net operating loss carry over (NOLCO) benefit which can be applied to the taxable income in three succeeding taxable years. However, as part of providing COVID-19 response and recovery intervention by the Philippine Government, RA No. 11494, The Bayanihan to Recover as One Act, was approved on September 11, 2020 where NOLCO for taxable years 2020 and 2021 can be applied to the taxable income in five succeeding taxable years.

The details of the Club's NOLCO as at December 31 are as follows:

| Year loss was incurred | Year of expiration | 2021 | 2020 |
|---|---|---|---|
| 2017 | 2020 | - | 3,593,538 |
| 2018 | 2021 | 3,460,580 | 3,460,580 |
| 2019 | 2022 | 1,378,688 | 1,378,688 |
| 2020 | 2025 | 19,683,361 | 19,683,361 |
| 2021 | 2026 | 20,353,472 | - |
| | | 44,876,101 | 28,116,167 |
| Expired during the year | | (3,460,580) | (3,593,538) |
| Unrecognized NOLCO | | 41,415,521 | 24,522,629 |

In compliance with the Act, the Club shall pay the greater of minimum corporate income tax (MCIT), and the regular corporate income tax. Any excess of MCIT over the normal income tax shall be carried forward for the next three consecutive taxable years immediately following the period such MCIT was paid.

The details of the Club's excess MCIT at December 31 are as follows:

| Year of payment | Year of expiration | 2021 | 2020 |
|---|---|---|---|
| 2017 | 2020 | - | 189,459 |
| 2018 | 2021 | 225,446 | 225,446 |
| 2019 | 2022 | 104,937 | 104,937 |
| | | 330,383 | 519,842 |
| Expired during the year | | (225,446) | (189,459) |
| | | 104,937 | 330,383 |

Reconciliation between the benefit from income tax computed at statutory income tax rate at 30% and the provision for income tax for the years ended December 31 shown in the statements of total comprehensive income is as follows:

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Benefit from income tax at 25% (2020 and 2019 - 30%) | (5,825,972) | (10,211,744) | (2,146,462) |
| Income tax effects of: | | | |
| Tax expense from unrecognized DIT assets | 14,148,986 | 18,461,934 | 1,450,152 |
| Non-taxable income | (13,018,925) | (14,214,937) | (18,103,613) |
| Non-deductible expenses | 107,385 | 461,643 | 14,182,416 |
| Unrealized gain on changes in fair value of financial assets at FVTPL | (2,001) | (4,238) | (12,195) |
| Interest income subjected to final tax | (1,873) | (3,539) | (1,742) |
| | (4,592,400) | (5,510,881) | (4,631,444) |

*Critical accounting judgment: Realization of deferred income tax assets*

Recognition of deferred income taxes depends on management's assessment and judgment of the probability of available future taxable income which the temporary differences can be applied. The Club reviews the carrying amounts of deferred income tax assets at each reporting date and reduces 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 income tax assets to be utilized.

Management assessed that the Club will not generate sufficient future taxable profits to realize the DIT assets and consequently, the Club did not recognize the DIT assets as at each reporting period.

## Note 22 - Commitments

The commitments entered into by the Club are as follows:

The Club's clubhouse restaurant is being operated and handled by Le Chef, Inc. Le Chef Inc. has been operating the restaurant since November 17, 2009. The Club executed a service concessionaire agreement contract with Le Chef Inc. In consideration for the services to be rendered by Le Chef Inc, the Club's share is 10% sales after VAT from non-Club activities and functions (Banquet Events).

In April and June 2015, the Club entered into one-year renewable consignment agreements with Brandgateway, Inc., Aviva Pacific Golf Corp. and Tee One Inc. for the consignment of golf-related merchandises being sold at the in-house shop operated by the Club. The agreements provide the Club with commission of 25% to 40% of the selling price upon sale of the consigned goods.

**Note 23 - Critical accounting judgments, estimates and assumptions**

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Club makes estimates, assumptions and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgments 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.

a) Critical accounting estimates and assumptions

- *Provision for impairment of receivables (Note 3)*
- *Revaluation of golf course development asset and frequency of valuation (Note 7)*
- *Estimated useful life of property and equipment (Note 7)*
- *Retirement benefit obligation (Note 19)*
- *Determination of fair value of financial assets and financial liabilities (Notes 4 and 26)*

b) Critical accounting judgments in applying the Club's accounting policies

- *Recoverability of receivables (Note 3)*
- *Determination of impairment of property and equipment (Note 7)*
- *Realization of deferred income tax assets (Note 21)*

**Note 24 - Financial risk management objectives and policies**

The Club's principal financial asset is cash. It also has other financial assets and liabilities such as receivables from members, related parties and officers and employees and other receivables, financial asset at FVTPL and accounts payable and other current liabilities (excluding statutory payables, unearned membership dues, deferred revenue and funds held in trust), due to related parties, refundable deposits and lease liabilities which arise directly from its operations.

The main risks arising from the Club's financial assets and financial liabilities are market risk, credit risk and liquidity risk. The Club is not exposed to interest rate risk as it has no interest-bearing financial assets and financial liabilities.

### 24.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial asset will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual financial asset or factors affecting all financial assets in the market.

The Club is exposed to fair value changes on its financial asset at FVTPL.

The Club's policy is to maintain the risk to an acceptable level. Movement in share price is monitored regularly to determine the impact on its financial position.

The following table demonstrates the sensitivity of the Club's excess of expenses over revenues to a reasonably possible change in market prices as at December 31 with all variables held constant:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Change in basis points per unit of UITF* | 0.0678485 | (0.0678485) | 0.0788935 | (0.0788935) |
| Effect on excess of expenses over revenues | 87,427 | (87,427) | 101,028 | (101,028) |

**Average movement of basis points per unit of UITF for the last five years.*

## 24.2 Credit risk

Credit risk is the risk arising from the possibility of the Club to incur a loss due to the failure of the members to meet their contractual debt obligations.

The Club has no significant concentration of credit risk.

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

The table below shows the maximum exposure to credit risk for the Club's financial assets as at December 31:

| | Notes | 2021 | 2020 |
|---|---|---|---|
| Cash | 2 | 8,838,636 | 2,885,489 |
| Receivables | 3 | 23,303,575 | 26,790,478 |
| | | 32,142,211 | 29,675,967 |

Cash excludes cash on hand as at December 31, 2021 amounting to P770,635 (2020 - P1,391,754). Receivables exclude advances to concessionaires and suppliers and receivables from officers and employees amounting to P3,915,333 (2020 - P3,086,956) and are presented gross of allowance for doubtful account as at December 31, 2021 amounting to P21,298,956 (2020 - P21,770,964).

An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The mechanics of the ECL calculations and the key elements are, as follows:

a. Probability of default (PD) is an estimate of the likelihood of default over a given time horizon.
b. Exposure at default (EAD) is an estimate of the exposure at a future default date taking into account expected changes in the exposure after the reporting date.
c. Loss given default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time.

For cash, the Club applies the low credit risk simplification where the Club measures the ECLs on a 12-month basis based on the probability of default and loss given default which are publicly available. The Club also evaluates the credit rating of the bank and other financial institutions to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Club considers its cash as high grade since these are placed in financial institutions of high credit standing. Accordingly, ECLs relating to these debt instruments rounds to nil.

For receivables, an impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Based on the Club's credit risk experience, expected credit loss rate increases as the age of the receivables increases.

The Club provides full allowance for credit-impaired receivables. These are individually impaired receivables which are non-moving for more than one year.

As at December 31, the ECL in relation to the Club's receivables based on management assessment consist of:

| | Members | Related and third parties | Officers and employees | Terminated memberships and local playing rights | Others | Total |
|---|---|---|---|---|---|---|
| *2021* | | | | | | |
| Receivables at gross | 4,980,961 | 8,694,403 | 574,256 | 6,258,061 | 6,711,227 | 27,218,908 |
| Expected loss rates | 36% | 98% | 90% | 100% | 63% | |
| Loss allowance | 1,791,429 | 8,519,706 | 516,813 | 6,258,061 | 4,212,947 | 21,298,956 |
| 2020 | | | | | | |
| Receivables at gross | 8,530,098 | 9,095,959 | 764,700 | 6,258,061 | 5,228,616 | 29,877,434 |
| Expected loss rates | 24% | 94% | 100% | 100% | 81% | - |
| Loss allowance | 2,015,549 | 8,519,706 | 764,700 | 6,258,061 | 4,212,948 | 21,770,964 |

### 24.3 Liquidity risk

Liquidity risk is the risk arising from the possibility that the Club may encounter difficulties in raising funds to meet or settle its obligations and supporting the Club's operations and activities.

The Club seeks to manage its liquidity profile to be able to finance its capital expenditures and service its maturing debts. The Club's objective is to maintain continuity of funding mainly through efficiency in collections of membership dues and organization of events that provides additional income to the Club, and coupled with minimization of costs. The Club will utilize its auction membership certificates to meet the Club's maturing obligations and increase the Club's equity. Cost cutting measures are also implemented to increase the Club's total comprehensive income. The Club considers obtaining borrowings or issue special assessments as the need arises.

The analysis of financial assets into maturity group is based on the remaining period from the reporting date to the contractual maturity date or if earlier, the expected date on which the assets will be realized. The Club's financial assets (i.e., cash, receivables and financial assets at FVTPL) that can be used to manage its liquidity risks as at December 31, 2021 amounted to P16,817,791 (2020 - P13,664,276).

For financial liabilities, the maturity grouping is based on the remaining period from the reporting date to the contractual maturity date. When the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period to which the Club can be required to pay.

The tables below summarize the maturity profile of the Club's financial liabilities as at December 31 based on contractual undiscounted payments.

| | On Demand | Within 1 Year | 1-2 Years | Over 2 Years | Total |
|---|---|---|---|---|---|
| *2021* | | | | | |
| Accounts payable and other current liabilities | 1,347,231 | 31,434,052 | - | - | 32,781,283 |
| Due to related parties | 1,655,888 | - | - | - | 1,655,888 |
| Refundable deposit | - | 650,000 | - | 22,725,000 | 23,375,000 |
| Lease liabilities | - | 2,997,215 | 495,344 | - | 3,492,559 |
| Future interest payable on lease liabilities | - | - | 200,923 | 34,352 | 235,275 |
| | 3,003,119 | 35,081,267 | 696,267 | 22,759,352 | 61,540,005 |

| | On Demand | Within 1 Year | 1-2 Years | Over 2 Years | Total |
|---|---|---|---|---|---|
| *2020* | | | | | |
| Accounts payable and other current liabilities | 913,424 | 30,505,401 | - | - | 31,418,825 |
| Due to related parties | 3,337,263 | - | - | - | 3,337,263 |
| Refundable deposits | - | 575,000 | - | 23,000,000 | 23,575,000 |
| Lease liabilities | - | 2,706,534 | 2,650,070 | - | 5,356,604 |
| Future interest payable on lease liabilities | - | 416,800 | 130,563 | 900 | 548,263 |
| | 4,250,687 | 34,203,735 | 2,780,633 | 23,000,900 | 64,235,955 |

For purposes of liquidity risk analysis, the current portion of the refundable deposits recorded within "accounts payable and other current liabilities" are presented in the liquidity risk table within "refundable deposits". Furthermore, "accounts payable and other current liabilities" in the liquidity risk table as at December 31, 2021 excludes amounts due to the government, deferred revenue, unearned membership dues, funds held in trust, provision for probable loss amounting to P8,917,282 (2020 – P7,487,702) (Note 8).

**Note 25 - Capital management objectives and policies**

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

The Club manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Club may increase membership dues and other fees. There were no changes in the objectives, policies and processes in 2021 and 2020. The Club has met its objectives in 2021, 2020 and 2019.

As at December 31, 2021 and 2020, the Club's capital is composed primarily of membership certificates amounting to P1,378,588,555. As at December 31, 2021 and 2020, the Club is not subject to any externally imposed capital requirements.

**Note 26 - Fair value measurements**

The following table shows financial instruments recognized at fair value, categorized between those whose fair value is based on:

Level 1: Quoted prices in active markets for identical assets or liabilities;
Level 2: Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

| | Date of Valuation | Total | Level 1 Quoted Prices in Active Markets | Level 2 Significant Observable Input | Level 3 Significant Unobservable Input |
|---|---|---|---|---|---|
| Financial asset at FVTPL | December 31, 2021 | 1,288,568 | - | - | 1,288,568 |
| | December 31, 2020 | 1,280,563 | - | - | 1,280,563 |
| Golf course development asset | December 31, 2021 | 270,762,579 | - | - | 270,762,579 |
| | December 31, 2020 | 291,700,702 | - | - | 291,700,702 |

### 26.1 Financial assets at FVTPL

The fair value is determined by reference to the net asset value per unit and was classified in the fair value hierarchy as Level 3.

### 26.2 Refundable deposits

In 2021 and 2020, the fair value is calculated by discounting the expected future cash flows at prevailing PH BVAL interest rate of noncurrent portion at 6.18. This is classified as Level 3.

### 26.3 Golf course development asset

*a. Valuation technique*

The fair value of the golf course development asset was based on the latest appraisal report dated March 5, 2020 determined by Topconsult, Inc. using the cost approach, and is classified in the fair value hierarchy as Level 3.

Based on the appraiser's report, the replacement cost per hole, observable condition and extent, character and utility of the property are the significant unobservable inputs used in the valuation which was pegged at the range of P20 million to P22 million. Significant favorable (unfavorable) adjustments to the aforementioned factors based on the professional judgment of the independent appraiser would increase (decrease) the fair value of golf course development asset.

Description of the valuation technique and significant unobservable inputs used in the valuation of the golf course development asset are as follows:

1. Cost Approach - This is a comparative approach to the value of property or another asset that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is equivalent to the original or one that could furnish equal utility with no undue cost resulting from delay. The valuer's estimate is based on the reproduction or replacement cost of the subject property or asset, less total (accrued) depreciation.

2. Replacement cost - The cost to replace the service capacity of an asset.

3. Observable condition - The golf course is now undergoing various repairs and maintenance like overhauling new tees, planting new grass for the tees and fairways, putting up new bunkers around the golf course and repairing old pipes for the drainage and irrigation system.

4. Extent, character and utility of the property - The golf course is a fully developed all weathers 18 holes par 69 golf course with a total length of 5,500 yards designed by Jack Nicklaus Golden Bear International. The fairways uses Bermuda grass while the roughs uses carabao grass. The tees uses a combination of Fescue grass, Supra Nova Poa Supina Rye and Bermuda Grass while the putting greens uses the Crystal Blue Links Bentgrass. The golf course is supplemented with roads and gutters, a computerized irrigation system, drainage systems and three lakes serving as catchment basin for surface water run-off.

As at and during the years ended December 31, 2021 and 2020, there were no transfers into and out of Level 3 fair value measurements.

*b. Valuation process of the Club*

The external valuation of the golf course development had been performed using unobservable inputs. The external valuer, in discussion with the Club's Finance team, has adopted the Sales Comparison Approach and Modified Quantity Survey Method to estimate the value of the land and the cost of reproduction of the buildings, respectively.

The Sales Comparison Approach in estimating the market value of the golf course development requires an analysis of its physical features, the locational attributes, and the quality of adjacent improvements that affect its market value. Once a comparable property is identified that is similar with respect to physical, locational, and neighborhood features, an adjustment is made to compensate for any differences. Other aspects of comparability is also examined such as market conditions at the time of sale for the comparable properties, the financing used in the purchase, and the property rights transferred.

## Note 27 - Summary of significant accounting and financial reporting policies

The principal accounting policies adopted in the preparation of the separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 27.1 Basis of preparation

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

The financial statements of the Club have been prepared on a historical cost basis, except for financial assets measured at fair value through profit or loss (FVTPL) and golf course development asset that has been measured at revalued amount.

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Club's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 23.

### 27.2 Changes in accounting policies and disclosures

There are no new standards, amendments and interpretations which are effective for the financial year beginning January 1, 2021 that are relevant to the Club.

*New standards, amendments and interpretations not yet adopted*

- PFRS 3: Reference to the Conceptual Framework

  Minor amendments were made to PFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of PAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Club does not expect the amendments to have a significant impact on the Club's financial statements.

- PAS 37: Onerous Contracts - Cost of Fulfilling a Contract

  The amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract. The amendment is effective for annual reporting periods beginning on or after January 1, 2022. The Club does not expect the amendment to have a significant impact on the Club's financial statements.

- PFRS 9 and PFRS 16: Annual Improvements

  Amendment in PFRS 9 clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

  Amendment of illustrative example 13 in PFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Club does not expect the amendments to have a significant impact on the Club's financial statements.

- PAS 1: Classification of Liabilities as Current or Non-current

  The narrow-scope amendments clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Club does not expect the amendments to have a significant impact on the Club's financial statements.

- PAS 1 and PFRS Practice Statement 2: Disclosure of Accounting Policies

  The amendments require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Club does not expect the amendments to have a significant impact on the Club's financial statements.

- PAS 8: Definition of Accounting Estimates

  The amendment clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Club does not expect the amendments to have a significant impact on the Club's financial statements.

- PAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

  The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognize deferred tax assets (to the extent that it is probable that they can be utilized) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

  - right-of-use assets and lease liabilities, and
  - decommissioning, restoration and similar liabilities, and the corresponding amounts recognized as part of the cost of the related assets.

  The cumulative effect of recognizing these adjustments is recognized in retained earnings, or another component of equity, as appropriate. PAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Club does not expect the amendments to have a significant impact on the Club's financial statements.

There are no relevant standards, amendments or interpretations that are effective beginning on or after January 1, 2022 that are expected to have a material impact on the Club's financial statements.

## 27.3 Financial assets

*Classification and presentation*

*27.3.1 Classification*

The Club classifies its financial assets in the following measurement categories:

(a) those measured subsequently at fair value [either through OCI (FVOCI) or through profit or loss (FVTPL)]; and
(b) those measured at amortized cost.

The classification depends on the Club's business model for managing the financial assets and the contractual terms of the cash flows.

The Club's financial assets at FVTPL pertain to Unit Investment Trust Fund (UITF).

The Club's financial assets under category (b) includes cash and receivables from members, related parties and officers and employees and other receivables.

Financial assets are included in current assets, except when these are expected to be received or realized more than twelve (12) months after the financial reporting date which are classified as non-current assets.

*27.3.2 Recognition and measurement*

The Club recognizes a financial asset in the statement of financial position when the Club becomes a party to the contractual provisions of the instrument. Regular-way purchases and sales of financial assets are recognized on trade date - the date on which the Club commits to purchase or sell the asset.

At initial recognition, the Club measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Subsequently, assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method.

*27.3.3 Impairment*

The Club assesses on a forward-looking basis the expected credit loss associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Loss allowances of the Club are measured on either of the following bases:

- 12-month expected credit losses (ECLs) - these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs - these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

*Simplified approach*

The Club applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition, as well as to contract assets or trade receivables that do not constitute a financing transaction in accordance with PFRS 15.

Additionally, the Club elects an accounting policy to recognize full lifetime expected losses for all contract assets and/or all trade receivables that do constitute a financing transaction in accordance with PFRS 15.

*General approach*

The Club applies the general approach to provide for ECLs on non-trade receivables. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Club assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Club considers reasonable and supportable information that is relevant and available without undue cost or effort.

This includes both quantitative and qualitative information and analysis, based on the Club's historical experience and informed credit assessment and includes forward-looking information.

The Club considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Club in full, without recourse by the Club to actions such as realizing security (if any is held); or
- the financial asset is more than 360 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Club is exposed to credit risk.

*27.3.4 Measurement of ECLs*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

*27.3.5 Credit-impaired financial assets*

At each reporting date, the Club assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the counterparty;
- a breach of contract such as actual default; or
- it is probable that the borrower will enter bankruptcy or other financial reorganization.

*27.3.6 Write-off*

The gross carrying amount of a financial asset is written-off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Club determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written-off could still be subject to enforcement activities in order to comply with the Club' procedures for recovery of amounts due.

*27.3.7 Derecognition*

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Club has transferred substantially all the risks and rewards of ownership. Any gain or loss arising on derecognition is recognized directly in profit or loss.

## 27.4 Financial liabilities

*Classification*

The Club classifies its financial liabilities in the following categories: (i) financial liabilities at fair value through profit or loss and (ii) financial liabilities at amortized cost. The classification depends on the purpose for which the financial liabilities were incurred. Management determines the classification of its financial liabilities at initial recognition.

Financial liabilities at fair value through profit or loss have two sub-categories: (i) financial liabilities classified as held for trading; and (ii) financial liabilities designated by the Club as at fair value through profit or loss upon initial recognition.

The Club does not have financial liabilities at fair value through profit or loss.

The Club's financial liabilities at amortized cost consist mainly of accounts payable and other current liabilities (excluding statutory payables, unearned membership dues, deferred revenue and funds held in trust), due to related parties, refundable deposits and lease liabilities

Financial liabilities are contractual obligations which are either to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Club.
These are included in current liabilities, except for maturities greater than 12 months from the reporting date, which are classified as non-current liabilities.

*Initial recognition and subsequent measurement*

Financial liabilities are recognized in the statement of financial position when the Club becomes a party to the contractual provisions of the instruments.

Financial liabilities are initially recognized at fair value, net of transaction costs incurred, which normally equal its nominal amount. Financial liabilities are subsequently measured at amortized cost using the effective interest method.

*Derecognition*

Financial liabilities are derecognized when extinguished, that is, when the obligation specified in a contract is discharged or cancelled or when the obligation expires.

### 27.5 Offsetting arrangement

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Club or the counterparty.

### 27.6 Fair value measurement

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

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

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

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

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 of 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 of input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level of 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 of input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External appraisers are involved for the significant assets such as certain items under property and equipment. Involvement of external appraisers is decided every three to five years. In cases wherein significant changes in fair value of the assets (i.e. more than 10% change in value) are expected during the year, the Club would recognize an annual involvement of external appraisers. The Club decides, after discussions with the external appraisers, which valuation techniques and inputs to use for each case.

At each reporting date, the Club analyzes the movement in the value of the assets which are required to be remeasured or reassessed based on the Club's accounting policies. For this analysis, the Club verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Club, in conjunction with the external appraisers, also compares the change in the fair value of each asset with relevant external sources to determine whether the change is reasonable.

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.

### 27.7 Cash

Cash includes cash on hand and in banks. Cash in bank earns interest at the prevailing bank deposit rates.

### 27.8 Inventories

Inventories consist of Pro-shop stocks. Inventories are initial recorded at cost and are subsequently measured at the lower of cost and net realizable value (NRV). Costs are accounted for using weighted average method. NRV is the estimated selling price in the ordinary course of the business less cost to sell. Inventories are derecognized when they are sold or disposed.

### 27.9 Property and equipment

Property and equipment, except for golf course development asset, are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. Such cost consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Golf course development asset are subsequently measured at revalued amount based on a valuation performed by independent appraisers. Revaluation is made every three to five years such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any resulting increase in the asset's carrying amount as a result of the revaluation is recognized as other comprehensive income in the statement of total comprehensive income and accumulated in members' equity under the heading "Revaluation surplus". Any resulting decrease is directly charged against any related revaluation surplus to the extent that the decrease does not exceed the amount of the revaluation surplus in respect of the same asset. Further, the revaluation surplus on golf course development asset is transferred to retained earnings when the asset is derecognized. Transfer from revaluation surplus to retained earnings is not made through profit or loss.

Land, if any, is not depreciated. Depreciation commences once the assets are available for use and is computed using the straight-line method over the estimated useful lives of the assets.

| Category | Number of years |
|---|---:|
| Golf course development | 15 |
| Golf course clubhouse | 30-40 |
| Golf course equipment | 5 |
| Clubhouse tools and equipment | 5 |
| Office furniture and equipment | 5-10 |
| Golf cart building | 10 |
| Halfway house | 37 |
| Transportation equipment | 5 |

The property and equipment's residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

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

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

When assets are sold or retired, their cost and the related accumulated depreciation and any impairment in value are eliminated from the accounts and any gain or loss resulting from their disposal is included in profit or loss in the year the item is sold or retired. The revaluation surplus included in equity in respect of an item of property, plant and equipment is transferred directly to retained earnings as the asset is depreciated, or it is transferred immediately to retained earnings when the asset is derecognized.

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

Golf course development in progress is stated at cost. This includes cost of development and other direct costs related to the asset being developed. Golf course development in progress is not depreciated until such time when the developments and the assets being developed are completed.

### 27.10 Impairment of non-financial assets

The Club assesses at each reporting date whether there is an indication that the non-financial assets such as property and equipment may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Club makes an estimate of the asset's recoverable amount. The recoverable amount is the higher of an 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 nonfinancial asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

Where the carrying amount of the nonfinancial asset exceeds its recoverable amount, the nonfinancial asset is considered impaired and is written down to its recoverable amount. In determining fair value less costs to sell, an appropriate valuation method is used. These calculations are corroborated by valuation multiples, quoted stocks prices for publicly traded securities or other available fair value indicators. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the nonfinancial asset. Impairment loss is recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting period 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 nonfinancial asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the nonfinancial asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

After such a reversal, the depreciation charge is adjusted in future periods to allocate the nonfinancial asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

### 27.11 Membership certificates

Membership certificates represent the cost of the proprietary certificates issued by the Club to founders and regular members.

### 27.12 Shares of delinquent members acquired through auctions

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

Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in membership certificates.

### 27.13 Cumulative excess of expenses over revenues

Cumulative excess of expenses over revenues represents accumulated net losses.

### 27.14 Other comprehensive income (OCI)

OCI comprises of items of income and expenses that are not recognized in profit or loss as required or permitted by other PFRS. The Club's OCI pertains to revaluation surplus arising from the revaluation of land and actuarial gains and losses from retirement benefits liability which are recognized in full in the period in which they occur.

### 27.15 Revenue recognition

The Club recognizes revenue as control is passed, either (i) over time when the customer simultaneously receives and consumes all of the benefits provided by the Club as the Club performs; or (ii) at a point in time when control is passed at a certain point in time as described below:

*Green fees and tournament fees, driving range and golf cart rentals, concessionaires' fees*

Revenues from the use of the Club's golf course and other amenities and availment of the Club's services are recognized over time, i.e., when services are rendered, and amenities are used.

*Unused consumables*

Consumables are forfeited and recognized as revenue when it remains to be unused, generally, after six months.

*Merchandise sales*

Revenue is recognized at a point in time when the control of the goods has been transferred to the customer (i.e., upon delivery).

*Interest income*

Revenue is recognized as it accrues (that is, the rate that exactly estimates future cash receipts throughout the expected life of the financial instrument to the net carrying amount of the financial instrument) using the effective interest rate method. Interest on past due accounts is recognized when collection is certain.

*Other income*

Revenue is recognized when there is an incidental economic benefit, other than the usual business operations, that will flow to the Club and the amount can be measured reliably.

### 27.16 Members assessments

The Club recognized members' assessments as follows:

*Membership dues*

Revenues are recognized over time, i.e., ratably over the applicable membership period. Advance collection of membership dues are recognized in the "Unearned membership dues" account presented under "Accounts payable and other current liabilities" account in the statement of financial position.

*Assignment fees*

Receipt is recognized upon transfer of playing rights to the assignee.

*Transfer fees*

Receipt is recognized upon transfer of golf shares to the buyer.

*Entrance fees*

Revenue is recognized at a point in time when receipts representing one time joining fee is collected upon approval of member's application.

*Contract Balances*

(a) Contract assets

A contract asset is the right to consideration in exchange for services transferred to the customer. If the Club performs by transferring 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.

(b) Contract liabilities (or Unearned membership dues)

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 the 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 revenue as revenue when the Club performs under the contract.

**27.17 Costs and operating expenses recognition**

Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset, or an increase in a liability has arisen, that can be measured reliably.

Costs and expenses are recognized:

(i) on the basis of a direct association between the costs incurred and the earning of specific items of income; (ii) on the basis of systematic and rational allocation procedures (i.e. when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined); or (iii) immediately (i.e. when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position).

Costs and expenses are presented in profit or loss according to their function.

**27.18 Other income**

*Interest income*

Interest income from bank deposits is recognized as interest accrues using the EIR method. Interest income from past due accounts of members are recognized upon collection. Interest income from refundable deposits are recognized upon receipt of deposit.

*Other income*

Revenue is recognized when there is an incremental economic benefit, other than the usual business operations, that will flow to the Club and the amount of the revenue can be measured reliably.

## 27.19 Leases

When the Club enters into an arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset or is dependent on the use of a specific asset or assets, the Club assesses whether the arrangement is, or contains, a lease.

Assets and liabilities arising from a lease are initially measured on a present value basis. The interest expense is recognized in the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

*Measurement of lease liabilities*

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantee
- the exercise price of a purchase option if the lessee is reasonably certain to exercise the option
- payments of penalties for terminating the lease, if the lease term reflects the termination.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Club's leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Club:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third-party financing, and
- makes adjustments specific to the lease (i.e., term, currency and security).

Lease payments are allocated between principal and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

*Measurement of right-of-use assets*

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Club is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

*Extension and termination options*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Club becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

*Short-term leases*

Payments associated with short-term leases are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less.

### 27.20 Retirement benefits

The Club has an unfunded, noncontributory defined benefit plan. The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

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

Defined benefit costs comprise the following: (1) service cost; and (2) net interest on the net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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

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

### 27.21 Income taxes

Income tax expense for the period comprises current and deferred income tax. Tax is recognized in the profit or loss, except to the extent that that it relates to items recognized directly in equity, in such case, the tax is also recognized and presented in other comprehensive income.

*Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the financial statement date where the Club operates and generates taxable income. Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Current income tax for the current and prior period should, to the extent unpaid, be recognized as a liability in the statement of financial position. If the amount already paid, in respect of the current and prior period exceeds the amount due for those periods, the excess shall be recognized as an asset in the statement of financial position. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

*Deferred income tax*

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

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax and unused tax losses or net operating loss carry-over (NOLCO) to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized.

Deferred income tax that relates to items that are recognized (a) in other comprehensive income shall be recognized in other comprehensive income and (b) directly in equity shall be recognized directly in equity.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized.

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

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

### 27.22 Provisions

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

Provisions are reviewed at each reporting date and adjusted to reflect management's current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed and derecognized from the statement of financial position.

### 27.23 Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions.

Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

### 27.24 Contingencies

Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to the 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 when an inflow of economic benefits is probable.

### 27.25 Subsequent events

Post year-end events that provide additional information about the Club's position at the financial statement date 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.

### 27.26 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, represented by the Club's President who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the primary person that makes strategic decisions.

The Club's operations is managed as a single business segment, that is golf course operations; consequently, the Club does not prepare a segment analysis for its financial statements.

The presentation in statement of financial position and statements of comprehensive income is consistent with the lone business segment of the Club used for economic decisions.

## Note 28 - Other matters

CJH DevCo filed an arbitration with BCDA. The arbitration involved the issue of whether the lease agreement and the Restructured Memorandum of Agreement between CJH DevCo and the BCDA, which are the very basis for CJH DevCo's right over Camp John Hay, should be restructured or rescinded on account of breaches by BCDA.

On February 11, 2015, the Philippine Dispute Resolution Center, Inc.'s ("PDRCI") Arbitration Panel rendered an award recognizing the breaches of BCDA, and directing BCDA to return rentals in the amount of P1,421,096,052 to CJH DevCo. BCDA's claim for alleged back-rentals was dismissed and rejected by the Panel. In turn, CJH DevCo was ordered to turn over the entire portion of Camp John Hay leased by it to BCDA, with all improvements "as far as practicable". The PDRCI also ruled that BCDA was liable to pay interest to CJH DevCo, but that all investments made by third party buyers & locators shall be considered as BCDA's payment of interest to CJH DevCo.

Both BCDA and CJH DevCo filed petitions to confirm the award, with the Regional Trial Court ("RTC") of Baguio City. In its Petition, CJH DevCo listed all third-party vested right holders, including the Club, and argued that they had already attained vested rights on the portions of the camp leased by them. On March 27, 2015, the RTC of Baguio City confirmed the arbitral award through a court order. It also opined that the rights of third-party locators shall be governed by the law on obligations and contracts. Further, by virtue of the Writ of Execution dated April 14, 2015, the Office of the Ex-Officio Sheriff issued a notice to vacate on April 20, 2015 addressed to CJH DevCo and all persons claiming rights under them. As the term "persons claiming rights under them" is ordinarily construed, the same would be limited to the Club and its related parties only. The Sheriff, however, expanded the scope of the Writ of Execution, thereby altering the Arbitral decision, by wrongly serving notices to vacate on third party locators who claim in their own name and in their own right as pre-paid lessees of the land and as owners of the improvements built thereon.

To arrest the unwarranted implementation of the Writ of Execution and the Notice to Vacate, CJH DevCo filed a Petition for Prohibition and Certiorari, with a prayer for the issuance of a temporary restraining order ("TRO") and an injunction, assailing the implementation of the Writ of Execution and the issuance of the Notice to Vacate. On May 19, 2015, the Court of Appeals issued a TRO against the implementation of the Writ of Execution and the enforcement of the Notice to Vacate. The TRO was released to the parties and became effective on May 20, 2015, and expired on July 19, 2015.

In view of the foregoing, the management have assessed that the events are in favor of the Club. Management obtained a legal opinion from its legal counsel, PBR, on its right to occupy the portion of the camp where its course and facilities are located. In its opinion, PBR stated that BCDA should honor the Club's vested rights thereon on the ground that BCDA not only expressly consented to CJH DevCo's subleases within the Leased Property in accordance with Section 2, Article VI of the Original Lease Agreement and Section 3, Article II of the July 1, 2008 Restructuring Memorandum of Agreement ("RMOA"), the BCDA actually mandated in their bid guidelines the incorporation of the Club and issuance of membership certificates as securities duly approved by the SEC. Moreover, the main obligation of CJH DevCo under the Original Lease Agreement (other than the payment of rent) was precisely to develop structures for subletting to third persons. Under the CJH Development Plan, these structures expressly include the Golf Club's facilities and course. BCDA is fully aware that CJH DevCo marketed various properties inside the Leased Property to third parties in good faith and has never raised any objections to them. More so in the case of the Club since the SEC approved securities it approved for sale to the public details in the Registration Statement what the investing public has every right to demand not only from CJH DevCo who developed the golf course project but also the BCDA which mandated the said business model.

With the rescission of the Original Lease Agreement pursuant to the arbitral award, PBR also opined that the contracts with locators inside the Leased Property entered into in good faith should be respected until October 2046 because CJH DevCo already exercised its option to renew the Original Lease Agreement even before the award was rendered. All these contracts with locators and assignments were also entered into with the consent and knowledge of BCDA. As to third parties including the Club, the status quo should therefore be maintained and their relevant permits and licenses should be forthwith issued despite the award. It was also emphasized that in addition to mandating the sale of the Club Membership Certificates as Securities, the BCDA likewise accepted the benefit in the Final Award in Arbitration crediting it with payment of interest its owed to CJH DevCo from the payments made by the Members of the Club as the consideration for the Membership Certificates they now hold.

PBR, however, also recognized that the irregular issuance of the Notice to Vacate has cast a cloud upon the Club's right to possess the golf course and its facilities. It opined that while CJHGC's right to its facilities should be respected, the Notice to Vacate has put the latter's rights under a cloud. Because of this, CJHGC has decided to file the appropriate court action to defend itself against the Notice to Vacate and the actuations of the BCDA.

Thus, in June 2015, the Club, through Bodegon Estorninos Guerzon Borje & Gozos Law Offices, filed an Urgent Motion for Leave to Intervene and Admit Attached Petition-in-Intervention, asking the Court of Appeals ("CA") to grant it leave to intervene in CA-G.R. SP No. 140422, and to admit its attached Petition-in-Intervention for Certiorari and Prohibition (With Urgent Application for the Issuance of a Writ of Preliminary Injunction). The Club's Petition prayed that the CA issue a writ of preliminary injunction enjoining the implementation and execution of the Notice to Vacate and Writ of Execution.

Subsequently, the Former Special Fifth Division of the CA issued its 30 July 2015 Decision in C.A.-G.R. SP No. 140422 and 140490, the dispositive portion of which reads as follows:

"As to CA-G.R. SP. No. 140422- MAIN CASE

"The instant Petition for Certiorari is GRANTED. Accordingly:

"1. Public Respondents are ORDERED to CEASE AND DESIST from enforcing the Writ of Execution dated April 14, 2015 and Notice to Vacate dated April 20, 2015 against Petitioner CJH Development Corporation until it is fully paid of the amount of P1,421,096,052(.)00 as indicated in the Arbitral Award;

"2. For the time being, Public Respondents are ENJOINED from enforcing the Final Award dated February 11, 2015, Writ of Execution dated April 14, 2015 and Notice to Vacate dated April 20, 2015 against Third Parties and Intervenors occupying the leased premises until their respective rights and interests are determined under compulsory arbitration or as may be adjudicated by the regular courts.

"3. Petitioner CJH Development Corporation is hereby ORDERED:

"a) to promptly VACATE and CEASE its operations on the leased premises upon payment of its claim in the amount of Php1,421,096,052.00 with the Commission on Audit. However, in the interim, CJH Development Corporation shall not enter into new contracts with 3rd parties and/or perform any action that would contravene the tenor of the arbitral award before receipt of its payment;

"b) to TURNOVER immediately the management of the Camp John Hay Project to the Private Respondent Bases Conversion and Development Authority (BCDA) and to endorse to Respondent BCDA all contracts it entered into with the Third Parties during the existence of the lease. This is consistent with the declaration in the arbitral award as rescission and expiration of the lease agreement.

"c) to FURNISH Respondent BCDA an inventory of all the constructions, buildings, and other improvements on the leased premises, including amounts received from the third party occupants in the leased premises from the start of the lease agreement up to the finality of this judgment;

"4. Private Respondent Bases Conversion and Development Authority is hereby ORDERED:

"a) to RESPECT and NOT DISTURB the various contracts of the Third Parties occupying the Leased premises;

"b) to ASSIST in the PROCESSING of the claim of Petitioner CJH Development Corporation filed with the Commission on Audit, who must act within 60 days, pursuant to existing laws.

"5. Petitioner CJH Development Corporation and Respondent Bases Conversion Development Authority (BCDA) are ORDERED -

"a) to CONDUCT joint audit of the inventory to be submitted by Petitioner CJH Development Corporation.

"As to the other Petitioners-Intervenors (CA-G.R. SP. No. 140422) and Petitioner Camp John Hay Trade and Cultural Center Inc. (CA-G.R. SP. No. 140490)

"The Petition is GRANTED. Judgment is hereby rendered as follows:

(1) The March 27, 2015 Order, April 14, 2015 Writ of Execution and the April 20, 2015 Notice to Vacate issued by the Regional Trial Court Branch 6 of Baguio City in Civil Case No 7651-R are hereby ANNULLED and SET ASIDE insofar as they are being made to apply to Petitioners-Intervenors and Petitioner Camp John Hay Trade and Cultural Center Inc.;

(2) A Writ of Prohibition is issued permanently restraining Public Respondents from enforcing and implementing the March 27, 2015 Order, April 14, 2015 Writ of Execution and the April 20, 2015 Notice to Vacate;

(3) Petitioners-Intervenors and Petitioner Camp John Hay Trade and Cultural Center Inc., are hereby ordered to submit themselves to arbitration with BCDA pursuant to the provisions of the Original Lease Agreement which are equally binding on the third parties and existing laws and jurisprudence.

"In the alternative, if the parties refuse to submit to compulsory arbitration, they should immediately litigate their respective rights and obligations before the regular courts.

"SO ORDERED."
The CA Decision therefore annulled and set aside, as against CJHGC, the Writ of Execution and Notice to Vacate issued by the Regional Trial Court ("RTC") of Baguio City. Given this, none of the CJH homeowners can be evicted without subsequent due process particular to homeowner's case and which the court recommend to take place via arbitration. The CA in turn directed BCDA to respect and not to disturb the various contracts of third parties occupying the leased CJH premises.

However, BCDA appealed the CA's Decision to the Supreme Court via a Petition for Review on Certiorari under Rule 45 of the Rules of Court. The case was docketed as G.R. No. 219421.

On 5 January 2021, the Supreme Court issued a Resolution consolidating the instant case with G.R. No. 219421 entitled Bases Conversion and Development Authority vs. CJH Development Corporation, et., al.

The ultimate outcome and possible effects of the legal dispute cannot be presently determined, and no adjustment in consideration therefrom has been made in the Club's financial statements.

## Note 29 - Supplementary information required by Bureau of Internal Revenue (BIR)

Below is the additional information required by RR No. 15-2010. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

*(i) Output value-added tax (VAT)*

Output VAT declared for the year ended December 31, 2021 and the revenues upon which the same was based consist of:

| | Gross amount of revenue | Output VAT |
|---|---|---|
| Sale of services subject to 12% VAT | 10,341,392 | 1,240,967 |
| Sale of goods subject to 12% VAT | 1,669,306 | 196,760 |
| Sale of services exempt from VAT | 69,307,811 | - |
| | 81,318,509 | 1,437,727 |

The Club's receipts from senior citizens are exempt from VAT pursuant to Section 4 of Republic Act No. 9994, known as Expanded Senior Citizens Act of 2010, an act amending Republic Act No. 7432.

The sale of services presented in the table above are based on gross receipts for VAT purposes while sale of services presented in profit or loss are presented in accordance with the revenue recognition policy of the Club.

*(ii) Input VAT*

Movements in input VAT for the year ended December 31, 2021 follow:

| | |
|---|---|
| Beginning balance | 1,653,661 |
| Add: Current year's domestic purchases/payments for: | |
| Domestic purchases of goods other than capital goods | 277,249 |
| Domestic purchases of services | 1,864,619 |
| Less: Applied against output VAT | (1,437,727) |
| End of year | 2,357,802 |

*(iii) Importations*

The Club has no tariff or importation fees for the year ended December 31, 2021.

*(iv) Excise tax*

The Club has no excise tax paid for the year ended December 31, 2021.

*(v) Documentary stamp tax*

For the year ended December 31, 2021, the Club paid documentary stamp tax for transfer of shares amounting to P15,578.

*(vi) All other local and national taxes*

All other local and national taxes paid for the year ended December 31, 2021 consist of:

| | |
|---|---|
| Business permit and registration | 14,298 |
| Community tax | 10,500 |
| Others | 135,115 |
| | 159,913 |

Others mainly pertain to local tax for Rooms, creditable withholding taxes for members and dues paid to JHMC for all incoming purchases/supplies to the Club.

*(vii) Withholding taxes*

Withholding taxes paid and accrued by the Club for the year ended December 31, 2021 amounted to:

| | Paid | Accrued | Total |
|---|---|---|---|
| Expanded withholding tax | 742,807 | 63,570 | 806,377 |
| Tax on compensation and benefits | 645,027 | 60,247 | 705,274 |
| | 1,387,834 | 123,817 | 1,511,651 |

*(viii) Tax assessments*

In 2020, the has received a Letter of Authority from the Bureau of Internal Revenue (BIR) for assessment of the Club's books pertaining to various national taxes for the taxable year 2018, of which the Club fully settled in 2021 amounting to P106,350.

*(ix) Tax cases*

As at December 31, 2021, there are no tax cases filed against the Club in courts or bodies outside the BIR.

# SECOND SECTION

**Second Section**

| Schedules | Supplementary Schedules | Remarks |
|---|---|---|
| A | Financial assets | Schedule A |
| B | Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties) | Schedule B |
| C | Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements | Not Applicable |
| D | Long-term Debt | Schedule D |
| E | Indebtedness to Related Parties | Not Applicable |
| F | Guarantees of Securities of Other Issuers | Not Applicable |
| G | Proprietary Membership Certificates | Schedule G |
| Annex 68-E | Schedule of Financial Soundness Indicator | Annex 68-E |
| Annex 68-D | Reconciliation of Company's Retained Earnings Available for Dividend Declaration | Not Applicable |
| Annex 68-H | A Map Showing the Relationships between and among the Parent Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries and Associates | Not Applicable |

**Camp John Hay Golf Club, Inc.**
Camp John Hay Loakan Rd., Baguio City

## Schedule A
## Financial Assets
## As at December 31, 2021

| Name of issuing entity and association of each issue (I) | Number of shares or principal amount of bonds and notes | Amount shown in the statement of financial position (II) | Valued based on market quotation at end of reporting period (III) | Income received and accrued |
|---|---|---|---|---|
| Cash on hand | - | 770,635 | - | - |
| Cash in bank | - | 8,838,636 | - | 7,491 |
| Receivables | - | 5,919,952 | - | 385,858 |
| Financial asset at fair value through profit or loss - Metropolitan Bank and Trust Corporation | - | 1,288,568 | - | - |
| **TOTAL** | **-** | **16,817,791** | **-** | **393,349** |

**Camp John Hay Golf Club, Inc.**
Camp John Hay Loakan Rd., Baguio City

**Schedule B**
**Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)**
**As at December 31, 2021**

| Name and designation of debtor (I) | Balance at beginning of period | Additions | Amounts collected (II) | Amounts written off (III) | Current | Non-current | Balance at end of period |
|---|---|---|---|---|---|---|---|
| Bedi, Gulshan | 78,787 | - | - | - | - | - | 78,787 |
| Mendoza, Alfredo | 29,490 | - | - | - | - | - | 29,490 |
| Sobrepeña, Enrique Jr. | 233,780 | - | - | (233,780) | - | - | - |
| Sobrepeña, Enrique III | 408,536 | - | - | - | - | - | 408,536 |
| Various Employees | 14,107 | 43,336 | - | - | - | - | 57,443 |
| | **764,700** | **43,336** | **-** | **(233,780)** | **-** | **-** | **574,256** |

**Camp John Hay Golf Club, Inc.**
Camp John Hay Loakan Rd., Baguio City

**Schedule C**
**Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements**
**As at December 31, 2021**

Receivables of the Parent Company from its wholly-owned subsidiaries are as follows:

| Name and designation of debtor | Balance at beginning of period | Additions | Amounts collected (I) | Amounts written off (II) | Current | Not current | Balance at end of period |
|---|---|---|---|---|---|---|---|
| | | | **Not Applicable** | | | | |

**Camp John Hay Golf Club, Inc.**
Camp John Hay Loakan Rd., Baguio City

**Schedule D**
**Long-Term Debt**
**As at December 31, 2021**

| Title of issue and type of obligation (I) | Amount authorized by indenture | Amount shown under caption "Current portion of long-term debt" in related statement of Financial Position (II) | Amount shown under caption "Long-Term Debt" in related statement of Financial Position (III) |
|---|---|---|---|
| BDO Unibank, Inc. | 1,091,200 | 353,396 | 495,344 |

**Camp John Hay Golf Club, Inc.**
Camp John Hay Loakan Rd., Baguio City

**Schedule E**
**Indebtedness to Related Parties (Long-Term loans from Related Companies)**
**As at December 31, 2021**

| Name of related party (I) | Balance at beginning of period | Balance at end of period (II) |
|---|---|---|
| **Not Applicable** | | |

**Camp John Hay Golf Club, Inc.**
Camp John Hay Loakan Rd., Baguio City

**Schedule F**
**Guarantees of Securities of Other Issuers**
**As at December 31, 2021**

| Name of issuing entity of securities guaranteed by the company for which this statement is filed | Title of issue of each class of securities guaranteed | Total amount guaranteed and outstanding (I) | Amount owned by person for which statement is filed | Nature of guarantee (II) |
|---|---|---|---|---|
| | | **Not Applicable** | | |

**Camp John Hay Golf Club, Inc.**
Camp John Hay Loakan Rd., Baguio City

## Schedule G
## Proprietary Membership Certificates
## As at December 31, 2021

| Title of issue | Number of shares authorized | Number of shares issued and outstanding as shown under related Statement of Financial Position Caption | Number of shares reserved for options, warrants, conversion and other rights | Number of shares held by Related Parties (II) | Directors, officers and employees | Others (III) |
|---|---|---|---|---|---|---|
| Proprietary membership certificates | 2,500 | 2,500 | - | 1,236 | 13 | 1,251 |

**Camp John Hay Golf Club, Inc.**
Camp John Hay Loakan Rd., Baguio City

SCHEDULE H
**Schedule of Financial Soundness Indicator**
**As at December 31, 2021**

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Gross Profit margin[a] | 30% | 16% | 16% |
| Net Profit margin[b] | NA | NA | NA |
| Return on Equity[c] | NA | NA | NA |
| Current ratio[d] | 0.48:1 | 0.44:1 | 0.58:1 |
| Interest cover[e] | 19.12x | 26.59x | 9.60x |
| Debt to equity ratio[f] | 0.41:1 | 0.48:1 | 0.42:1 |
| Asset-to-equity ratio[g] | 1.45:1 | 1.50:1 | 1.44:1 |
| Book Value per share[h] | 118,965 | 119,987 | 133,260 |

[a] Gross Profit / Revenues
[b] Net Income available to common shareholders / Revenues
[c] Net Income available to common shareholders / Shareholders' Equity
[d] Current Assets / Current Liabilities
[e] Earnings before interest and taxes / Interest Expense
[f] (Borrowings - Cash) / Shareholders' Equity
[g] Total Assets / Total Equity
[h] Shareholders' Equity (available to owners of the Club)/Weighted average outstanding number of common shares