

MANILA HOUSE PRIVATE CLUB, INC.  
8<sup>th</sup> Floor, Net Park, 5<sup>th</sup> Avenue, Bonifacio Global City, Taguig City  
Tel. No. (632) 504 2533

### NOTICE OF ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the annual stockholders' meeting of **MANILA HOUSE PRIVATE CLUB, INC.** (the "Company") will be on **18 August 2020, Tuesday, (3:00 p.m.)** through remote communication, with the following Agenda:

#### AGENDA

1. Determination of Quorum
2. Annual Report of Officers
3. Ratification and Confirmation of Acts and Resolutions of the Board of Directors
4. Election of Directors
5. Appointment of External Auditor and Approval of Fees
6. Other Matters
7. Adjournment

Only stockholders of record at the close of business of **29 July 2020** are entitled to notice of, and to vote at, this meeting. Registration will start at 2:30 p.m.

Makati City, 28 July 2020.

FOR THE BOARD OF DIRECTORS

  
**AISSA V. ENCARNACION**  
*Corporate Secretary*

We are not soliciting your proxy. If you are unable to attend the meeting but would like to be represented thereat, please submit your proxy form to the Corporate Secretary on or before 7 August 2020, Friday, 5:00 p.m.

## EXPLANATION OF AGENDA ITEMS

### 1. Determination of Quorum

The Corporate Secretary will certify the date the notice of the Annual Stockholders' Meeting was sent to all stockholders of record. The Corporate Secretary will also certify the existence of a quorum based on her examination of all duly recorded proxies and the list of stockholders personally present at the meeting.

### 2. Annual Report of Officers

The President will deliver a report to the stockholders on the performance of the Company in 2019 and the prospects for 2020.

The President will also recommend for approval the financial statements as of 31 December 2019 and its accompanying explanatory notes as audited by the Company's external auditors.

Resolutions noting the report and approving the audited financial statements will be presented to the stockholders for the approval of at least a majority of the outstanding capital stock present at the meeting.

### 3. Ratification and Confirmation of Acts and Resolutions of the Board of Directors

The stockholders were furnished copies of the acts and resolutions of the Board of Directors for the period from 12 April 2019 to 3 December 2019.

A resolution approving the said acts and resolutions will be presented to the stockholders for the approval of at least a majority of the outstanding capital stock present at the meeting.

### 4. Election of Directors

The stockholders have to elect 7 directors composed of 1 president and at least 2 independent directors.

The Nominations and Elections Committee ("Nomelec") evaluated and nominated the independent directors of the Company.

In the voting of directors, each stockholder entitled to vote may cast the votes to which the number of shares he owns entitles him, for as many persons as there are to be elected as directors, or he may give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he may see fit, provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

The candidates who garner the highest number of votes shall be declared elected directors of the Company.

### 5. Appointment of External Auditor and Approval of Fees

The Board of Directors will recommend to the stockholders the appointment of Isla Lipana & Co., as represented by Ms. Catherine H. Santos.

A resolution approving the recommendation of the appointment of the Company's external auditor will be presented to the stockholders for the approval of at least a majority of the outstanding capital stock present at the meeting.

6. Other Matters

The Chairman will open the floor for comments and questions by the stockholders.

7. Adjournment

SECURITIES AND EXCHANGE COMMISSION  
**PRELIMINARY SEC FORM 20-IS**  
 INFORMATION STATEMENT PURSUANT TO SECTION 20  
 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:  
 Preliminary Information Statement  
 Definitive Information Statement
2. Name of Registrant as specified in its charter: Manila House Private Club, Inc.
3. Province, country or other jurisdiction of incorporation or organization: Republic of the Philippines
4. SEC Identification Number: CS201604652
5. BIR Tax Identification Code: 009-243-591
6. Address of principal office: 8th Floor, Seven/NEO (formerly Net Park), 5<sup>th</sup> Avenue, Bonifacio Global City, Taguig City 1630
7. Registrant's telephone number, including area code: (632) 504 2533
8. Date, time and place of the meeting of security holders: Remote Communication (Via Zoom), 18 August 2020 (3:00 PM)
9. Approximate date on which the Information Statement is first to be sent or given to security holders: 28 July 2020
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding	Cut-Off Period
<u>Common Shares</u>	<u>100,005</u>	<u>29 July 2020</u>
<u>Preferred Shares</u>	<u>1,550</u>	<u>29 July 2020</u>

11. Are any or all of registrant's securities listed on a Stock Exchange?

Yes \_\_\_\_\_ No   /  

If yes, disclose the name of such Stock Exchange and the class of securities listed therein: N/A

## INFORMATION REQUIRED IN INFORMATION STATEMENT

### I. GENERAL INFORMATION

#### **Date, time and place of annual stockholders' meeting**

- (a) Date: 18 August 2020  
Time: 3:00 p.m.  
Place: Via Remote Communication  
Mailing Address: 8<sup>th</sup> Floor, Seven/NEO (formerly Net Park), 5th Avenue,  
Bonifacio Global City, Taguig City
- (b) Approximate date the Company will first send copies of this information statement to its stockholders: 28 July 2020

WE ARE NOT ASKING YOU FOR A PROXY AND  
YOU ARE NOT REQUESTED TO SEND US A PROXY

#### **Dissenters' Right of Appraisal**

There are no other matters or proposed corporate actions, which may give rise to a possible exercise by stockholders of their appraisal rights under Title X of the Corporation Code of the Philippines. Any stockholder of the Company shall have the right to dissent and demand payment of the fair value of his shares in the following instances:

1. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; and
3. In case of merger or consolidation.

The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the Company within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares: Provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or effected, the Company shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing his shares, the fair market value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

## **Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

There are no matters to be acted upon in which any Director, Executive Officer, nominee for election as a Director of the Company or any of their associates is involved or had a direct, indirect or substantial interest.

The Company has not been informed of any opposition to any action to be taken up in the meeting.

## **II. CONTROL AND COMPENSATION INFORMATION**

### **Voting Securities and Principal Holders Thereof**

(a) The holders of the Company's 101,555 outstanding shares of stock, consisting of 100,005 common shares and 1,550 preferred shares, as of the close of business on **5 May 2020** are entitled to notice of, and to vote on the matters to be acted upon during the annual stockholders' meeting. Each share is entitled to one (1) vote.

(b) Each of the Company's stockholders has cumulative voting rights with respect to the election of directors.

In the election of directors, a stockholder may cumulate his votes in accordance with Section 24 of the Corporation Code. Each stockholder may vote such number of shares for as many persons as there are directors or he may cumulate said shares.

The voting rights of a stockholder may be cumulated by multiplying his number of shares by the total number of seats available.

The stockholders of the Company shall elect the members of the Board of Directors of the Company. The nominee for president shall be automatically elected.

In case there are more votes cast by a voter than his cumulative votes, all his votes shall be invalidated.

In case a voter opts to cast only partially his allotted cumulative votes, it shall not result in the invalidation of the votes cast.

(c) The Company shall not solicit for a proxy.

(d) Security Ownership of Certain Record and Beneficial Owners (of more than 5%) as of 30 June 2020.

There are no stockholders of record and beneficial owners owning at least 5% of the Company's securities as of 30 June 2020, except the following:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	Ricardo Mariano C. Ocampo II 30 Tamarind Road, South Forbes Park, Makati City		Filipino	29,999	29.54%
Common	Antonio Raymundo O. San Diego Apt. 29 F, Fairways Tower, 5th Ave. corner McKinley Road, Bonifacio Global City, Taguig City		Filipino	29,998	29.53%
Common	Gilbert Zoilo O. Pangilinan, Jr. <i>No Relationship</i> 1495 Carissa St., Dasmarinas Village, Makati City		Filipino	15,001	15.0%
Common	Katrina Panlilio Craig <i>Director</i> 17 Queen's Gate London, SW7 5JE, UK		Filipino	15,000	7.50%
Common	Pierre Angeli Addison <i>No Relationship</i> 28 B San Ignacio Street, Kapitolyo, Pasig		Filipino	10,000	5.00%

(e) Security Ownership of Directors and Management as of 30 June 2020.

The following represent the security ownership of certain members of the Company's Board of Directors and Management as of 30 June 2020:

Title of Class	Name of Beneficial Owner	Position	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Preferred	Lorenzo Roxas	-	50 (direct)	Filipino	2.5%

Common	Katrina Panlilio Craig	-	15,000 (direct)	Filipino	7.50%
Preferred	David Chua	Director	50 (direct)	Filipino	0.05%
Common	Jorge Lichauco	Director	50 (direct)	Filipino	0.05%
Preferred	Doris Magsaysay Ho	Chairman	50 (direct)	Filipino	0.05%
Common	Jose Arcilla	President	1 (direct)	Filipino	Nil
Common	Joseph S. San Pedro	Director	1 (direct)	Filipino	Nil
Common	Regina F. Sicat	Director	1 (direct)	Filipino	Nil
Common	Gilbert Zoilo O. Pangilinan, Jr.	-	15,001 (direct)	Filipino	7.50%
Common	Aissa V. Encarnacion	Corporate Secretary	1 (direct)	Filipino	Nil
Common	Antonio Raymundo O. San Diego	Treasurer	29,998 (direct)	Filipino	15.00%

(f) Voting Trust Holders of 5% or More

As of 30 June 2020, there is no person who holds any class of shares of the Company under a voting trust or similar agreement.

(g) Changes in Control

There are no arrangements that may result in change in control of the Company.

There is no provision in the Company's Articles of Incorporation and By-Laws that may cause delay or deferment of, or in any manner, prevent a change in control of the Company.

No change in control of the Company has occurred since the beginning of the fiscal year.

## Directors and Executive Officers

(a) Directors and Executive Officers

Directors

- Doris Magsaysay Ho, 67, Chairman<sup>1</sup>
- Katrina Panlilio Craig, 53<sup>2</sup>

<sup>1</sup> Doris Magsaysay Ho was elected as Chairman of the Board of Directors on 3 December 2019.

<sup>2</sup> Katrina Panlilio Craig was elected as President on 19 June 2019 and resigned as President on 3 December 2019 and as director effective 24 February 2020.



- Lorenzo Andres T. Roxas, 55<sup>3</sup>
- Jorge Lichauco, 56
- David Chua, 52
- Joseph S. San Pedro, 54, Independent Director<sup>4</sup>
- Regina F. Sicat, 59, Independent Director

#### Key Officers

- Doris Magsaysay Ho, 67, Chairman
- Jose L. Arcilla, 55, President<sup>5</sup>
- Antonio Raymundo O. San Diego, 53, Treasurer and Data Privacy Officer
- Aissa V. Encarnacion, 55, Corporate Secretary
- Melanie Olivares-Wise, 55, Compliance Officer

The following directors and officers resigned within the past year:

- Katrina Panlilio, President, resigned on 3 December 2019.
- Katrina Panlilio, Director, resigned on 24 February 2020.
- Lorenzo Andres T. Roxas, resigned on 8 November 2019.

For a brief profile of each of the Company's Directors, please refer to Annex "A." The certification of independent director of Regina Sicat is attached hereto as Annex "A-1"

#### Nomination Committee

- Doris Magsaysay Ho, 67
- Jose L. Arcilla, 55
- Antonio Raymundo O. San Diego, 53
- Aissa V. Encarnacion, 55

The Nomination Committee nominates the following for independent directors:

- Regina F. Sicat
- Christian Y. Tomas

The following are nominated as directors for the year 2020-2021:

- Doris Magsaysay Ho
- David Chua
- Jose L. Arcilla
- Jose Mari T. Albert
- Antonio Raymundo O. San Diego
- Regina F. Sicat (Independent Director)
- Christian Y. Tomas (Independent Director)

For a brief profile of each of the nominees, please refer to Annex "B." The

<sup>3</sup> Lorenzo Andres T. Roxas was elected Chairman of the Board of Directors on 12 April 2018 and resigned 8 November 2019.

<sup>4</sup> Joseph P. San Pedro, resigned as independent Director effective 10 July 2020

<sup>5</sup> Jose L. Arcilla was elected as President on 24 February 2020.

Certification of independent director of Regina Sicat and Christian Tomas is attached hereto as Annexes "B-1" and "B-2", respectively.

**Significant Employees**

There are no persons, other than the executive officers, expected by the Company to make significant contribution to the business.

**Certain Relationships and Related Transactions**

The Company terminated its consultancy agreement with Biennale Club Management, Inc. ("BCMI") on 3 December 2019. BCMI previously handled certain aspects of operations of the Company, such as planning and formulating the concepts, menus and events for implementation by the Company, as well as overseeing the financial management of the Company. Majority of the stockholders and directors of BCMI are shareholders and were directors and officers of the Company as well.

The Consultancy Agreement between the Company and BCMI did not result into other commitments. The obligations and scope of work of the related parties were stipulated only in the Consultancy Agreement.

The only other contractual relation that allows the Company to negotiate terms of material transaction is the lease contract with 20-34 Property Holdings, Inc. The Company has a lease agreement with 20-34 Property Holdings, Inc. ("Lessor") for the use, possession and enjoyment of the Company premises. The term of the lease is for ten (10) years, renewable upon such terms and conditions acceptable to the Company and the Lessor. Mr. Carlo S. Rufino, a major stockholder of 20-34 Property Holdings, Inc., which owns Net Park, is also an investor of the Company. This relationship between the Lessor and the Company safeguards against unilateral termination by the Lessor and ensures the smooth renewal of the lease.

**Compensation of Directors and Executive Officers**

(a) Compensation of Directors and Executive Officers

No remuneration shall be paid by the Company, directly or indirectly, to the directors of the Company.

The aggregate compensation estimated to be paid in the ensuing fiscal year to the following officers of the Company are as follows:

<b>Name and Principal Position</b>	<b>Year</b>	<b>Monthly Salary</b>	<b>Bonus</b>	<b>Total</b>
Jose L. Arcilla II (President)	2019	P400,000.00	n.a.	P400,000.00
Melanie Olivares-Wise (Director of PR and Arts, Culture & Education Programs)	2019	P100,000.00	n.a.	P100,000.00

The Chairman and Corporate Secretary do not receive any compensation.

There is no other arrangement with directors for which they were compensated.

(b) Summary Compensation Table

The following table summarizes the actual aggregate compensation of the directors and officers of the Company in 2019 and an estimate for 2020.

<b>SUMMARY OF ANNUAL COMPENSATION (in Pesos)</b>					
<b>NAME AND POSITION</b>	<b>YEAR</b>	<b>SALARY</b>	<b>BONUS</b>	<b>OTHER COMPENSATIO N (Per Diem)</b>	<b>TOTAL</b>
	<b>2019 (Actual)</b>				
<b>Directors</b>					
<b>Top 5 highly compensated officers:</b>  <i>Jose L. Arcilla President</i>		Php 4,800,000.00			Php 4,800,000. 00
<b>Other Officers</b>  <i>Melanie Olivares- Wise Director of PR and Arts, Culture &amp; Education Programs</i>		Php 1,200,000.00			Php 1,200,000. 00
<b>Total</b>		Php 6,000,000.00			Php 6,000,000. 00

SUMMARY OF ANNUAL COMPENSATION (in Pesos)					
NAME AND POSITION	YEAR	SALARY	BONUS	OTHER COMPENSATION (Per Diem)	TOTAL
	2020 (Estimate)				
<b>Directors</b>					
<b>Top 5 highly compensated officers:</b>  Jose L. Arcilla <i>President</i>		Php 4,800,000.00			Php 4,800,000.00
<b>Other Officers</b>  Melanie Olivares-Wise <i>Director of PR and Arts, Culture &amp; Education Programs</i>		Php 1,200,000.00			Php 1,200,000.00
<b>Total</b>		Php 6,000,000.00			Php 6,000,000.00

(c) Employment Contracts and Termination of Employment and Change in Control Arrangement

The Company has no special arrangements, special employment contracts, or change in control arrangements with its directors or officers.

(d) Option Warrants and Options

The Company has no outstanding warrants or option agreements with its directors.

The Company has no outstanding warrants with its officers.

**Independent Public Accountant**

In 2016, 2017, 2018, and 2019, the independent public accountant is the accounting firm of Isla Lipana & Co. Ms. Catherine H. Santos is currently the Engagement Partner. The appointment of the independent public accountant is consistent with Rule 68 of the SRC.

The Board of Directors, as endorsed by the Audit Committee, will recommend the

appointment of the Company's external auditor, Isla Lipana & Co., to the stockholders.

Isla Lipana & Co., will be available at the Annual Stockholders' Meeting on 18 August 2020 to answer questions from the stockholders.

#### **Audit and Audit-Related Fees**

Billings for services rendered by Isla Lipana & Co. in connection with their engagement for 2019 amounted to PhP 585,000.00, exclusive of Value-Added Tax ("VAT") and Out-of-Pocket Expenses ("OPE").

Billings for services rendered by Isla Lipana & Co. in connection with their engagement for 2018 amounted to PhP 350,000.00, exclusive of Value-Added Tax ("VAT") and Out-of-Pocket Expenses ("OPE").

Billings for services rendered by Isla Lipana & Co. in connection with their engagement for 2017 amounted to PhP 350,000.00, exclusive of Value-Added Tax ("VAT") and Out-of-Pocket Expenses ("OPE").

Billings for services rendered by Isla Lipana & Co. in connection with their engagement for 2016 amounted to PhP 75,000, exclusive of VAT and OPE.

Isla Lipana & Co. has not been paid any fees for assurance and related services other than the audit of the financial statements of the Company.

#### **Tax Fees and All Other Fees**

Isla Lipana & Co. did not receive fees for tax accounting, compliance, advice, planning and any other form of services.

The Audit Committee approved the appointment of Isla Lipana & Co. for the audit of its annual financial statements. There were no other non-audit related services provided to the Company.

#### **Financial Statements**

The Statement of Management's Responsibility for Financial Statements and the Audited Consolidated Financial Statements of the Company as of December 31, 2019 and 2018 are attached hereto as Annexes "E" and "F", respectively.

The Statement of Management's Responsibility for Financial Statements and the Unaudited Interim Financial Statements of the Company as of 31 March 2020 is attached hereto as Annexes "G" and "H", respectively.

#### *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure/Independent Public Accountant*

The Audited Financial Statements of the Company from the period of 15 March 2016 (incorporation date) to 30 June 2016 have been audited by Isla Lipana & Co., independent auditors, headed by its handling partner, Mr. Rodelio C. Acosta. The audited interim financial statements as of 30 June 2016 was examined by Isla Lipana & Co., in accordance with the Philippine Financial Reporting Standards as stated in the report appearing herein.

The Audited Financial Statement of the Company from the year ended 31 December 2016 and period ended 31 March 2017 were audited by Isla Lipana & Co., independent auditors, headed by its handling partner, Ms. Cherrylin M. Javier. The audited financial statements as of 31 December 2016 and 31 March 2017 were examined by Isla Lipana & Co., in accordance with the Philippine Financial Reporting Standards.

The Audited Financial Statement of the Company from the year ended 31 December 2016 and period ended 31 December 2017 were audited by Isla Lipana & Co., independent auditors, headed by its handling partner, Ms. Cherrylin M. Javier. The audited financial statements as of 31 December 2016 and 31 December 2017 were examined by Isla Lipana & Co., in accordance with the Philippine Financial Reporting Standards.

The Audited Financial Statement of the Company from the year ended 31 December 2017 and 31 December 2018 were audited by Isla Lipana & Co., independent auditors, headed by its handling partner, Ms. Cherrylin M. Javier. The audited financial statements as of 31 December 2017 and 31 December 2018 were examined by Isla Lipana & Co., in accordance with the Philippine Financial Reporting Standards for a fee of P 350,000.00.

The Audited Financial Statement of the Company from the year ended 31 December 2018 and 31 December 2019 were audited by Isla Lipana & Co., independent auditors, headed by its handling partner, Ms. Catherine H. Santos. The audited financial statements as of 31 December 2018 and 31 December 2019 were examined by Isla Lipana & Co., in accordance with the Philippine Financial Reporting Standards for a fee of P585,000.00.

Isla Lipana & Co. has not been paid any fees other than the fees directly related to this Statement.

In the last two years up to the present, the services of Isla Lipana & Co. have not been terminated by the Company. The Company has not had any disagreements on accounting and financial disclosures with the current external auditors. Isla Lipana & Co. has neither shareholding in the Company nor any right whether legally enforceable or not, to nominate persons to subscribe to the Company's securities. Isla Lipana & Co. will not receive any direct or indirect interest in the Company or in any securities (including options, warrants or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

### **Compensation Plans**

The Company has no current plan regarding the payment or distribution of cash and non-cash compensation.

## **III. OTHER MATTERS**

### **Action with Respect to Reports**

The stockholders will be asked to approve or ratify during the annual stockholders meeting the following matters:

1. Annual Report and Audited Financial Statements for fiscal year 2019;

2. Acts of the Board of Directors and Officers;

**Matters Not Required to be Submitted**

Other than those specified herein, there are no matters or actions to be taken up in the meeting with respect to any matter, which is not required to be submitted to a vote of security holders.

**Other Proposed Actions**

(a) Acts and Resolutions of the Board of Directors and Officers of the Company

A list containing the summary of the Acts and Resolutions of the Board of Directors and Officers of the Company from 12 April 2019 to 3 December 2019 is attached hereto as Annex "C".

(b) Election of Directors

Unless stockholders other than the controlling stockholders raise for discussion specific issues or questions under the item "Other Matters," the stockholders will not take any other action with respect to any matter not specifically referred to above.

(c) Appointment of External Auditor and Fees

**Conduct of Meeting and Registration**

1. The Annual Stockholders' Meeting shall be held via remote communication (Zoom).
2. Stockholders must, at any time prior to but not later than one (1) day before the meeting, notify the Corporate Secretary via e-mail of their intention to attend and participate in the virtual meeting. A stockholder who will not attend the meeting, must also inform the Corporate Secretary if he or she intends to vote in absentia.

*E-mail to:* Aissa V. Encarnacion at [avencarnacion@zplaw.com.ph](mailto:avencarnacion@zplaw.com.ph)  
*Copy furnish:* [pspambid@zplaw.com.ph](mailto:pspambid@zplaw.com.ph) and [ahflores@zplaw.com.ph](mailto:ahflores@zplaw.com.ph)

The Corporate Secretary will provide the Zoom Meeting link to the stockholders who validly registered for the meeting. These stockholders shall likewise be provided with the ASM Kit which includes the agenda, the electronic ballot ("e-ballot") and the Definitive Information Statement.

3. Any stockholder who is unable to join the meeting may vote in the election of directors and on other matters in absentia, by duly accomplishing the e-ballot and emailing to the Corporate Secretary within the prescribed period. His or her shares shall be considered for the purpose of determining the existence of a quorum.
4. The registration shall commence one (1) hour before the scheduled meeting, or at 1:00 p.m. For verification purposes, the stockholders must indicate their full names as their Zoom Meeting I.D.

## **Voting Procedures**

5. Stockholders, who are unable to personally attend the meeting, or are present during the meeting via remote communication, may vote in the election of directors and on all matters requiring approval by, at any time prior to end of the annual stockholders' meeting:

- a. accomplish and sign the attached e-ballot;
- b. attach the voting form and a scanned copy or photograph of his or her valid government-issued ID with photograph and signature to the e-mail; and
- c. address and send the e-mail with the attachments to the Corporate Secretary (see all e-mail addresses above).

## **Manner by which Votes will be Counted**

Number of votes of each stockholder. In all items for approval except election of directors, each share of stock entitles its registered owner to one vote.

In the election of directors, stockholders entitled to vote shall have the right to vote the number of shares of stock standing in their respective names as of record date. A stockholder may:

- d. vote such number of shares for as many persons as there are directors to be elected;
- e. cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of the shares owned; or
- f. distribute them on the same principle among as many candidates as they may see fit;

provided, that the total number of votes cast shall not exceed the number of shares owned by the stockholder as shown in the books of the corporation multiplied by the whole number of directors to be elected. Nominees for directors receiving the highest number of votes shall be declared elected.

The Corporate Secretary will tabulate all votes. The Corporate Secretary shall announce the results during the meeting, after canvassing all the votes.

## **Corporate Governance**

The Company's Board of Directors, officers, executives and employees strive to achieve the Company's strategic objectives, create value for its stakeholders, and sustain long term viability. The Board of Directors, through policies and its own practices, shall establish and actively promote, communicate and recognize sound governance principles and practices to reflect a culture of strong governance.

The Company promotes transparency, accountability and fairness and its business shall be conducted strictly in accordance with law. Timely and accurate disclosure shall be made on all material aspects and development regarding the Company, including its financial condition, performance, ownership and governance. The strategic guidance of the Company shall be in accordance with the objectives as set by the government, the effective monitoring



of Management by the Board, and the Board's accountability to the Company and the shareholders.

In support of the Company's commitment to the governance principles of transparency, accountability, fairness and integrity, the Company, through its Board of Directors, approved and adopted a Manual on Corporate Governance on 27 September 2016. The Company then appointed a Compliance Officer and Data Privacy Officer on 12 April 2018. To secure proper and efficient management of the day-to-day operations of the Company, the Board of Directors and officers developed an Authorization Matrix, which designates specific persons whose approval and/or review of various operational matters are required, and which shall be part of the system of determining responsibility and accountability in the Company.

In order to improve its corporate governance, the Company shall develop an effective succession planning program to ensure the transfer of company leadership to highly competent and qualified individuals. In connection therewith, the Company shall develop a transparent nomination and election process. The Company shall also require its directors and key officers to undergo initial and continuing training, such as attendance in corporate governance trainings and seminars.

### **Anti-Money Laundering**

In support of the Company's commitment to the governance principles of transparency, accountability, and integrity, the Company, through its Board of Directors, approved and adopted an Anti-Money Laundering Manual on 24 February 2020. Pursuant thereto, its Board of Directors, officers, executives and employees shall ensure that its business is conducted in conformity with high ethical standards. The Corporation, through policies and its own practices, endeavor, within legal limits, to share relevant information with the AMLC and to strengthen cooperation with law enforcement agencies in reporting and prosecuting money laundering activities.

The Company shall promote transparency and accountability and its business shall be conducted strictly in accordance with law. The Company shall put in place controls and measures reasonably designed to aid its officers and concerned personnel and staff in complying with R.A. No. 9160 and its implementing rules and regulations, and shall establish means to help detect activities indicative of money laundering. The strategic guidance of the Company shall be in accordance with the objectives as set by the government, the effective monitoring of Management by the Board, and the Board's accountability to the Company and the shareholders.

### **Management Report**

The Management Report is attached hereto as Annex "D."

## ANNEX "A"

### PROFILES OF DIRECTORS AND OFFICERS

The following lists the professional and/or business experience of the Directors and Officers of the Company covering a period of at least five (5) years.

#### **BOARD OF DIRECTORS**

##### **DORIS MAGSAYSAY-HO CHAIRMAN, DIRECTOR**

*Doris Ho*, Filipino, 67, is the President and Chief Executive Officer of the Magsaysay Group of Companies, including Magsaysay Maritime Corporation and A. Magsaysay, Inc. She also serves as Chair, Director, Trustee or Member of various organizations, such as: Lorenzo Shipping Corporation, Fairmont Shipping Limited, Makati Business Club, APEC Business Advisory Council, Philippine Interisland Shipping Association, Steamship Mutual Underwriting Association, The National Corn Competitiveness Group, Asia Society Philippine Foundation, Inc., Asia Society (New York), Metropolitan Museum Manila, The Hague Process on Refugees and Migration, First Philippine Conservation, Inc., World President's Organization. She obtained her masters degree at Pratt Institute and is a graduate of Manhattanville College.

##### **JOSE L. ARCILLA PRESIDENT, DIRECTOR**

*Jose Arcilla*, Filipino, 55, Professional hotelier with almost 30 years' experience in business operations management (mostly hospitality) and demonstrated history and skills in strategic planning, customer service and managerial finance, rising to levels of General Manager and Chief Financial Officer; working experience covers the Indian Ocean (MALDIVES), Asia (the Philippines, Vietnam and Malaysia), Canada and the USA; previously associated with reputable international hotel and club organizations such as the Marriott Renaissance, Swiss-bel Hotel International, World Hotels, Club Corporation of Asia (Mimosa Leisure Estate under the Mondragon Group), the Bellevue Hotels and Resorts, the Manila Polo Club, among others; strong finance professional, graduated Cum Laude at the University of Santo Tomas with a Bachelor of Science degree in Commerce, Major in Accounting and duly licensed CPA with MBA degree, including tenure as Federal Government Auditor in the Office of the CNMI Public Auditor's Office under the US Attorney General.

##### **JORGE A. LICHAUCO DIRECTOR**

*Jorge A. Lichauco*, Filipino, 56, is the owner and Managing Director of Walls-in-Motion, Inc. He obtained his Masters in Business Administration from Kellogg Graduate School of Management and his Bachelor of Science in Business Management from the Ateneo de Manila University.

##### **DAVID CHUA DIRECTOR**

David Chua, 52, is currently President of Cathay Pacific Steel Corporation, and Vice Chairman of the Board of the University of the East. He acquired his MBA from Northwestern University – Kellogg School of Management and The Hong Kong University of Science and Technology. He also finished the CEO Program of the Harvard Business School. He finished graduated with honors and a degree of BS Financial Services Management at Saint Mary's College of California.

**REGINA F. SICAT**  
**INDEPENDENT DIRECTOR**

*Regina F. Sicat*, 59, is the Chief Executive Officer of LegisPro, which provides legal process outsourcing services in the Philippines. She obtained her Master of Business Administration with a concentration in Marketing and Finance from Columbia University, Graduate School of Business. She took the Art of Discussion Leadership from Harvard Business School and obtained a Bachelor of Arts in Economics from Bryn Mawr College (Cum Laude).

**AISSA V. ENCARNACION**  
**CORPORATE SECRETARY**

*Aissa V. Encarnacion*, Filipino, 55, is Partner at Zamora and Poblador Law Offices. She obtained her Bachelor of Laws from the University of the Philippines, College of Law, 1992. She was admitted to the Philippine Bar in 1993. She is the Corporate Secretary of The Philippine Stock Exchange, Inc. and various other corporations. She is a Professorial Lecturer at the University of the Philippines College of Law and concurrently a Professorial Lecturer at the University of the Philippines, Cesar Virata School of Business. She obtained a Bachelor of Science in Business Administration, Major in Finance and Marketing also from the University of the Philippines College of Business Administration.

**LORENZO ANDRES T. ROXAS**  
**CHAIRMAN, DIRECTOR (12 April 2018 to 8 November 2019)**

*Randy Roxas*, Filipino, 55, is the nominee and Managing Director at Philippine Equity Partners, Inc. and a shareholder of the company. He is currently holding positions at the following companies: Director, Philippine Equity Partners Inc.; Member, Capital Markets Development, The Philippine Stock Exchange; Board of Governors and Treasurer, Philippine Association of Securities, Brokers and Dealers, Inc.; Director, ATRAM Investment Management Partners Corporation; Chairman and President, LTR Holdings, Inc.; Director, ATR Holdings, Inc.; Independent Director, RCBC Bankard Services Corporation

Randy was the Chairman of the Board and President of Maybank ATR Kim Eng Securities, Inc at Maybank ATR Kim Eng Financial Corporation, and President of ATR Kim Eng Insurance Brokers, Inc., a subsidiary of Maybank ATR Kim Eng Securities, Inc. He has a Bachelor of Arts Degree in Interdisciplinary Study in Ateneo de Manila University and a Masters in Business Administration, Northwestern University's Kellogg School of Management and The Hong Kong University of Science and Technology.

**KATRINA PANLILIO CRAIG**  
**PRESIDENT, DIRECTOR (19 June 2019 to 3 December 2019)**

*Katrina Panlilio Craig*, Filipino, 52, is CEO of the Hotel Solutions Partnership, a global consultancy offering hotel, club & resort advisory, short term management and acquisition services. Over the past 15 years, she has worked on assignments in the hospitality industry throughout the UK, continental Europe and Southeast Asia. Prior to consulting, Katrina was CEO of Accor Asia Pacific Hotels and Resorts Philippines, VP for Projects at the Grand Hotels and Resorts Group, Philippines. She has a Bachelor of Science in Economics from the Wharton School of the University of Pennsylvania and an MBA from INSEAD in France.

**JOSEPH P. SAN PEDRO**  
**INDEPENDENT DIRECTOR (until 13 July 2020)**

*Joseph P. San Pedro*, 54, is an independent practitioner of law. He obtained his Master of Laws from Harvard Law School in 1996. He obtained his Juris Doctor from Ateneo de Manila

University, College of Law in 1991, where he graduated with distinction as Class Salutatorian. He ranked first place in the 1991 Philippine Bar examinations and was admitted to the Philippine Bar in 1992. He is currently a faculty member at the Ateneo Law School.

**VESFE E. REVISA**  
**FINANCE DIRECTOR**

Vesfe E. Revisa, Filipino, 43, A Certified Public Accountant with audit experience and 15 solid years of exposure to operational and financial management in hospitality industry. She became part of the pre-opening team of Erawan Philippines, Inc. and established Vanguard Hotels Pte. Ltd.-ROHQ in the country. Served also as Assistant Finance Controller for Manila Polo Club, Inc. and Manila Southwoods Golf and Country Club.

She is a graduate of Bachelor of Science in Accountancy from Pamantasan ng Lungsod ng Maynila.

**MELANIE OLIVARES-WISE**  
**COMPLIANCE OFFICER**

*Melanie Olivares-Wise*, Filipino, 55, A communications and marketing specialist, Bambina Olivares has had a multifaceted career over the past 30 years in the fashion, lifestyle and luxury goods industries, with extensive stints in journalism, public relations, advertising and brand management both here and abroad. As a luxury brand specialist, she has worked as Fine Jewellery Business Manager for Chanel and Public Relations Manager for Piaget, both in Hong Kong; in South Africa she handled media and marketing for Savane Organic Skincare, Metropolitan Cosmetics and Head Interiors. After three decades away, she moved back to the Philippines at the end of 2014 and was named Lifestyle Editor of the revamped newspaper, The Standard. She was tapped to oversee communications for the APEC Business Advisory Council (ABAC) during the 2015 APEC Economic Leaders Meeting, held in the Philippines in November that year. Since January 2016, she has been a key member of the founding team behind Manila House, consulting for the events-driven, culturally-oriented private members club in BGC which opened late January 2017. She remains a consultant and is currently heading the club's marketing, PR and events department, and is responsible for crafting a varied and engaging events programme that elevates conversation and creates relevance. As an image strategist, she ensures that the brands she consults for retain and improve their image via an effective communications strategy, as well as events conceptualization and execution.

**ANTONIO RAYMUNDO O. SAN DIEGO**  
**TREASURER AND DATA PRIVACY OFFICER**

*Antonio Raymundo O. San Diego*, Filipino, 50, is the Editor-in-Chief of The Philippine Tatler, the country's premiere lifestyle, luxury and society magazine for the last 15 years, successfully spearheading it from its maiden issue to its current iteration. The Philippine Tatler is part of the Asia TATLER group, which has publications in Hong Kong, China, Singapore, Indonesia, Malaysia, Thailand and Taiwan. He acquired his diploma from Les Roches International School of Hotel Management.

# ANNEX A-1

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, REGINA F. SICAT, Filipino, of legal age and a resident of 1251 Acacia Street, Dasmariñas Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of Manila House Private Club, Inc. and have been its independent director since 2017.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
LegisPro Corporation	Chief Executive Officer	2010 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Manila House Private Club, Inc. as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of Manila House Private Club, Inc.

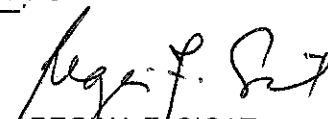
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not in government service/affiliated with a government agency or GOCC.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

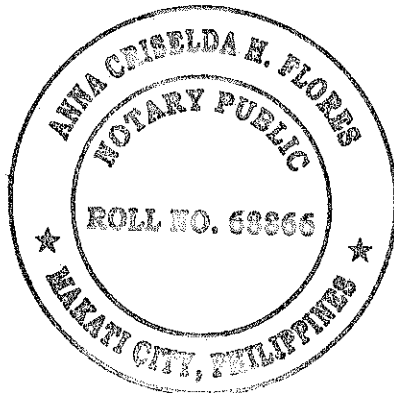
8. I shall inform the Corporate Secretary of Manila House Private Club, Inc. of any changes in the abovementioned information within five days from its occurrence.

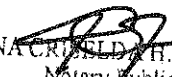
Done this JUL 28 2020 at MAKATI CITY

  
REGINA F. SICAT

SUBSCRIBED AND SWORN to before me this JUL 28 2020 at MAKATI CITY affiant personally appeared before me and exhibited to me her PP # P21428858 Expired: 09 May 2029

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Page No.: 40  
Book No.: II  
Series of 2020.



  
ANNA CRISBELDA M. FLORES  
Notary Public  
Until December 31, 2020  
Roll of Attorneys No. 68866  
PTR No. 8116994; 01-03-2020; Makati City  
IBF No. 101370; 01-06-2020; Makati City  
MCLE Compliance No. VI-0024784; 04-11-2019  
Notarial Commission No. M-211  
5F Montepino Bldg., 138 Amoroso St.,  
Legaspi Village, Makati City

## ANNEX "B"

### PROFILES OF NOMINEES FOR DIRECTORS

The following lists the professional and/or business experience of the nominees for Directors of the Company for 2020-2021.

#### **BOARD OF DIRECTORS**

##### **DORIS MAGSAYSAY-HO**

*Doris Ho*, Filipino, 67, is the President and Chief Executive Officer of the Magsaysay Group of Companies, including Magsaysay Maritime Corporation and A. Magsaysay, Inc. She also serves as Chair, Director, Trustee or Member of various organizations, such as: Lorenzo Shipping Corporation, Fairmont Shipping Limited, Makati Business Club, APEC Business Advisory Council, Philippine Interisland Shipping Association, Steamship Mutual Underwriting Association, The National Corn Competitiveness Group, Asia Society Philippine Foundation, Inc., Asia Society (New York), Metropolitan Museum Manila, The Hague Process on Refugees and Migration, First Philippine Conservation, Inc., World President's Organization. She obtained her masters degree at Pratt Institute and is a graduate of Manhattanville College.

##### **JOSE L. ARCILLA**

*Jose Arcilla*, Filipino, 55, Professional hotelier with almost 30 years' experience in business operations management (mostly hospitality) and demonstrated history and skills in strategic planning, customer service and managerial finance, rising to levels of General Manager and Chief Financial Officer; working experience covers the Indian Ocean (MALDIVES), Asia (the Philippines, Vietnam and Malaysia), Canada and the USA; previously associated with reputable international hotel and club organizations such as the Marriott Renaissance, Swiss-bel Hotel International, World Hotels, Club Corporation of Asia (Mimosa Leisure Estate under the Mondragon Group), the Bellevue Hotels and Resorts, the Manila Polo Club, among others; strong finance professional, graduated Cum Laude at the University of Santo Tomas with a Bachelor of Science degree in Commerce, Major in Accounting and duly licensed CPA with MBA degree, including tenure as Federal Government Auditor in the Office of the CNMI Public Auditor's Office under the US Attorney General.

##### **DAVID CHUA**

David Chua, 52, is currently President of Cathay Pacific Steel Corporation, and Vice Chairman of the Board of the University of the East. He acquired his MBA from Northwestern University – Kellogg School of Management and The Hong Kong University of Science and Technology. He also finished the CEO Program of the Harvard Business School. He finished graduated with honors and a degree of BS Financial Services Management at Saint Mary's College of California.

##### **ANTONIO RAYMUNDO O. SAN DIEGO**

*Antonio Raymundo O. San Diego*, Filipino, 50, is the Editor-in-Chief of The Philippine Tatler, the country's premiere lifestyle, luxury and society magazine for the last 15 years, successfully spearheading it from its maiden issue to its current iteration. The Philippine Tatler is part of the Asia TATLER group, which has publications in Hong Kong, China, Singapore, Indonesia, Malaysia, Thailand and Taiwan. He acquired his diploma from Les Roches International School of Hotel Management.

**REGINA F. SICAT**  
**INDEPENDENT DIRECTOR**

*Regina F. Sicat, 59, is the Chief Executive Officer of LegisPro, which provides legal process outsourcing services in the Philippines. She obtained her Master of Business Administration with a concentration in Marketing and Finance from Columbia University, Graduate School of Business. She took the Art of Discussion Leadership from Harvard Business School and obtained a Bachelor of Arts in Economics from Bryn Mawr College (Cum Laude).*

**CHRISTIAN GRANT Y. TOMAS**  
**INDEPENDENT DIRECTOR**

*Christian Grant Y. Tomas, 43, is an independent practitioner of law currently serving as an independent director for Ever-Gotesco Resource & Holdings, Inc (EGRHI). He was the Vice President for Legal Services of Calay Holdings, Inc./Tyche Consulting Ltd. Phils and is a former legal counsel of Alphaland Development, Inc. He also served as senior lawyer for Commissioner G. Y. Larrazabal of the Commission on Elections.*

CERTIFICATION OF INDEPENDENT DIRECTOR

I, REGINA F. SICAT, Filipino, of legal age and a resident of 1251 Acacia Street, Dasmariñas Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

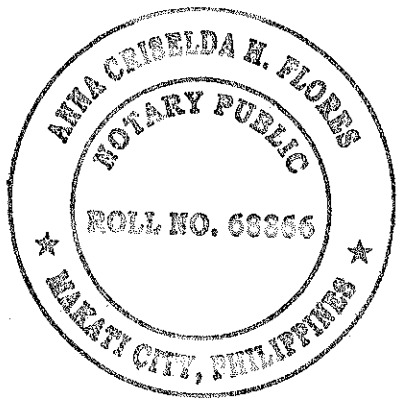
- I am a nominee for independent director of Manila House Private Club, Inc. and have been its independent director since 2017.
  - I am affiliated with the following companies or organizations:
- | Company/Organization | Position/Relationship   | Period of Service |
|----------------------|-------------------------|-------------------|
| LegisPro Corporation | Chief Executive Officer | 2010 to present   |
- I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Manila House Private Club, Inc. as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
  - I am not related to any director/officer/substantial shareholder of Manila House Private Club, Inc.
  - To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
  - I am not in government service/affiliated with a government agency or GOCC.
  - I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
  - I shall inform the Corporate Secretary of Manila House Private Club, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done this JUL 28 2020 at MAKATI CITY

*Regina F. Sicut*  
REGINA F. SICAT

SUBSCRIBED AND SWORN to before me this JUL 28 2020 at MAKATI CITY affiant personally appeared before me and exhibited to me her PPH P2142885B Expired: 09 May 2029

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Series of 2020.



*Anna Criselda H. Flores*  
ANNA CRISBELDA H. FLORES  
Notary Public  
Until December 31, 2020  
Roll of Attorneys No. 68866  
PTR No. 8116994; 01-03-2020; Makati City  
IBP No. 101370; 01-06-2020; Makati City  
MCLE Compliance No. VI-0024784; 04-11-2019  
Notarial Commission No. M-211  
5F Montepino Bldg., 138 Amorsolo St.,  
Legaspi Village, Makati City



CERTIFICATION OF INDEPENDENT DIRECTOR

I, CHRISTIAN GRANT Y. TOMAS, Filipino, of legal age and a resident of 2917 Orion St., Sta. Cruz Manila Philippines, after having been duly sworn to in accordance with law do hereby declare that:

- 1. I am a nominee for Independent Director of Manila House Private Club, Inc.
- 2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Ever-Gotesco Resource & Holdings, Inc. (EGRHI).	Independent Director	2018-Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Manila House Private Club, Inc. as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of Manila House Private Club, Inc.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not in government service/affiliated with a government agency or GOCC.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of Manila House Private Club, Inc. of any changes in the abovementioned information within five days from its occurrence.

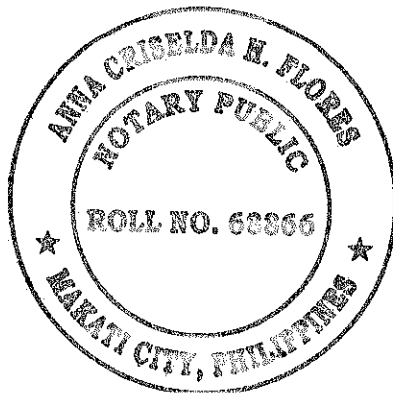

Done this JUL 28 2020 at MAKATI CITY



CHRISTIAN GRANT Y. TOMAS

SUBSCRIBED AND SWORN to before me this JUL 28 2020 at MAKATI CITY, affiant personally appeared before me and exhibited to me his PP# P0928777B Expired: 05 March 2029

Doc. No.: 195  
 Page No.: 40  
 Book No.: II  
 Series of 2020.

ANNA CRISELDA H. FLORES  
 Notary Public  
 Until December 31, 2020  
 Roll of Attorneys No. 68866  
 PTR No. 8116994; 01-03-2020; Makati City  
 IBP No. 101370; 01-06-2020; Makati City  
 MCLE Compliance No. VI-0024784; 04-11-2019  
 Notarial Commission No. M-211  
 5F Montepino Bldg., 138 Amoroso St.,  
 Legaspi Village, Makati City

**ANNEX "C"**

**BOARD ACTS AND RESOLUTIONS**

<b>DATE OF MEETING</b>	<b>APPROVED BOARD RESOLUTION</b>
Special Meeting dated 12 April 2019	<ol style="list-style-type: none"><li>1. Approved of the 2018 audited financial statements as audited by Isla Lipana &amp; Co.</li><li>2. Authorized the management to issue the 2018 audited financial statements and file the audited financial statements with the Bureau of Internal Revenue</li><li>3. Authorized the issuance of membership certificates to spouses of current members of the corporation</li><li>4. Approved the 2019 operating and CAPEX budget</li><li>5. Authorized the Corporate Secretary to prepare and file the Information Statement and Annual Report for the year 2018 with the SEC</li><li>6. Appointed of the General Manager as an authorized signatory to the Membership Agreements and Membership Certificates issued by the corporation</li><li>7. Approved the imposition of a penalty of 2% interest on delinquent membership dues and Food &amp; Beverage charges</li></ol>
Special Board Special Meeting dated 28 May 2019	<ol style="list-style-type: none"><li>1. Approved the appointment of Isa Lipana &amp; Co. as the Corporation's external auditor at a fee of P423,500.</li></ol>

Special Meeting  
dated 19 June 2019

1. Approved the appointment of the following as the chairman and members of the corporation's various committees for the year 2019-2020:

Executive Committee:

Katrina Panlilio Craig	- Chairman
David Chua	- Member
Lorenzo Roxas or Doris Ho	- Member
Jose L. Arcilla	- Member
Antonio Raymunco O. San Diego	- Member

Audit Committee:

Joseph San Pedro	- Chairman, Independent Director
Regina F. Sicat	- Member, Independent Director
Jorge A. Lichauco	- Member, Independent Director

Compensation and Governance Committee:

Lorenzo Roxas	- Chairman
Doris Magsaysay Ho	- Member
Katrina Panlilio Craig	- Member

Nominations and Elections Committee:

Doris Magsaysay Ho	- Chairman
Joseph P. San Pedro	- Member, Independent Director
Lorenzo Roxas	- Member

Membership Committee:

Antonio Raymundo O. San Diego	- Chairman
Regina F. Sicat	-Member, Independent Director
David Chua	- Member
Katrina Panlilio Craig	- Member

Budget and Finance Committee:

Katrina Panlilio Craig	- Chairman
David Chua	- Member

2. Delegated the appointment of the chairmen and members of the Corporation's Budget and Finance Committee, House Committee, and Events Committee, for the year 2019-2020, to the Executive Committee
3. Authorized the amendment of the Registration Statement with the SEC for the issuance of additional 69 membership certificates for the spouses of existing members
4. Approved the General Manager's KPI
5. Approved the grant of a General Manager's Performance Bonus equivalent to 8% of his annual net pay under his employment contract with the corporation provided he meets 100% or more of the annual target, and bonus discretionary upon the Board if the General Manager meets 80% to 99% of his annual targets

<p>Special Meeting dated 8 November 2019</p>	<ol style="list-style-type: none"> <li>1. Approved the audited financial statements as of 31 July 2019 as audited by Isla Lipana &amp; Co.</li> <li>2. Authorized the President, Ms. Katrina P. Craig or Finance Director, Ms. Vesfe Revisa, to sign and release the Corporation's audited financial statements as of 31 July 2019</li> <li>3. Approved the creation of a business center or hot-desk facility in the Club, subject to negotiation and partnership with Globe and/or PLDT</li> <li>4. Accepted the resignation of Mr. Lorenzo Roxas as Chairman and Director of the Corporation effective immediately</li> </ol>
<p>Special Meeting dated 3 December 2019</p>	<ol style="list-style-type: none"> <li>1. Elected Ms. Doris Magsaysay Ho as Director of the Corporation and Chairperson of the Board</li> <li>2. Authorized the General Manager to assume all functions of the President of the Corporation and to represent the Corporation in all government agencies and regulatory bodies</li> <li>3. Authorized the Chairman of the Board and/or the General Manager to sign, execute and deliver any and all documents and reportorial requirements and to perform such acts as may be necessary to implement the foregoing</li> <li>4. Approved the revised operating budget for 2020, subject to the submission and approval of a plan of the Corporation to generate Forty Million Pesos (PhP 40,000,000) in revenues</li> <li>5. Approved the revised budget for capital expenditures for 2020</li> <li>6. Approved the termination of membership, effective as of 3 December 2019, of certain members</li> </ol>

## **Annex "D"**

### **MANAGEMENT REPORT**

#### **GENERAL NATURE AND SCOPE OF BUSINESS OF REGISTRANT AND ITS SUBSIDIARIES**

Manila House Private Club, Inc. ("Company") was incorporated on 15 March 2016 to carry on the business and operation of an exclusive restaurant and provide facilities and services for dining, meeting, social, recreation, entertainment, offer goods, art, food and beverages, for sale or for exhibition within the premises, and conduct similar activities in the City of Taguig and to allow a diverse membership the opportunity to meet, interact and engage with each other in a relaxed, discreet yet stimulating environment.

The Company provides a sophisticated and comprehensive dining experience with social, educational and cultural activities integrated therein.

The Company has an authorized capital stock of P202,000,000.00 consisting of 200,000 Common Shares and 2,000 Preferred Shares. Upon incorporation, 100,003 Common Shares and 500 Preferred Shares were subscribed.

A shareholder will be entitled to use all the recreational facilities of the Company, subject to the terms and conditions described under the section Description of Shares, and the Company Rules, which will be from time to time prescribed by the Board. Any transfer of ownership of a Preferred Share, or any change in nominee of a Preferred Shareholder, shall not automatically transfer the privilege of membership to the transferee or new nominee.

The Company offers for sale to select members of the public by invitation, Membership Certificates that will entitle the holder the right to use the Company's facilities. Up to 600 Founding Membership Certificates will be offered at P200,000.00 each. As of December 31, 2019, Founding Membership Certificates will be offered at P200,000.00 each.

Within the first year of operations of the Company, up to 1,000 Regular Membership Certificates were offered at P150,000.00 each; 600 Associate Membership Certificates at P100,000.00 each; while 600 Junior Membership Certificates were offered at P50,000.00 each.

To date, the following have been sold: (1) 77 Regular Membership Certificates; (2) 93 Associate Membership Certificates; and (3) 126 Junior Membership Certificates and (4) 543 Founding Membership Certificates.

Membership certificates are separate and distinct from shares of stock and will not grant the holder of said certificates any rights of a stockholder of the Company.

#### **Properties**

The Company has not acquired principal properties such as real estate, plant and equipment and patents. In 2019, the Company did not enter into any significant contracts.

#### **Legal Proceedings**

During the past five (5) years and until the present, the Company has not been a party to any litigation which would have any material or adverse effect upon its business or financial condition. The space being leased by the Company is not subject of any legal proceedings.

To our knowledge, there is no case filed by or against the directors and officers of the Company in such capacity.

### Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of security holders, through the solicitation of proxies or otherwise.

## MARKET FOR ISSUERS COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

### Principal market where the registrant's common equity is traded

All shares of the Company shall be distributed by the Company through invitation only. Hence, the Company has not engaged the services of any underwriters, selling agents or brokers, except for sales and marketing staff employed by the Company.

### Stock Prices

The authorized capital stock of the Company is Two Hundred Two Million Pesos (Php202,000,000.00), Philippine Currency, consisting of Two Hundred Thousand (200,000) Common Shares with a par value of Ten Pesos (Php10.00) per share; and Two Thousand (2,000) Preferred Shares with a par value of One Hundred Thousand Pesos (Php100,000.00) per share.

Since these securities are not listed in any stock exchange, there is no market price for the Company's securities derived from day-to-day trading.

### Holders

The number of shareholders of record as of 31 December 2019 is 39. Total shares outstanding as of 31 December 2018 is 100,005 common shares with a par value of P10.00 and 1,550 preferred shares with a par value of P100,000.

The holders as of 28 July 2020 are as follows:

### COMMON SHARES

NAME	NATIONALITY	NO. OF SHARES	AMOUNT SUBSCRIBED	AMOUNT PAID
Ocampo, Ricardo Mariano C. II	Filipino	29,999	Php299,990.00	Php299,990.00
San Diego, Antonio Raymundo O.	Filipino	29,998	Php299,980.00	Php299,980.00
Pangilinan, Gilbert Zoilo O. Jr.	Filipino	15,001	Php150,010.00	Php150,010.00
Craig, Katrina Panlilio	Filipino	15,000	Php150,000.00	Php150,000.00
Addison, Pierre Angeli	Filipino	10,000	Php100,000.00	Php100,000.00
Coseteng, Ferdinand Edwin S. <sup>1</sup>	Filipino	1	Php10.00	Php10.00
Ocampo, Celestina M.	Filipino	1	Php10.00	Php10.00
Encarnacion, Aissa V.	Filipino	1	Php10.00	Php10.00
San Pedro, Joseph P.	Filipino	1	Php10.00	Php10.00

<sup>1</sup> †Deceased 13 October 2017.

Sicat, Regina F.	Filipino	1	Php10.00	Php10.00
Lichauco, Jorge A.	Filipino	1	Php10.00	Php10.00
Arcilla, Jose	Filipino	1	Php10.00	Php10.00
		-----	-----	-----
<b>Total Common Shares Subscribed</b>		<b>100,005</b>	<b>Php1,000,050.00</b>	<b>Php1,000,050.00</b>

#### PREFERRED SHARES

NAME	NATIONALITY	NO. OF SHARES	AMOUNT SUBSCRIBED	AMOUNT PAID
Albert, Maricris		50	Php5,000,000.00	Php5,000,000.00
Asuncion, Jane		50	Php5,000,000.00	Php5,000,000.00
Brias, Maria Cristina Floirendo		50	Php5,000,000.00	Php5,000,000.00
Campos, Jose Yao		50	Php5,000,000.00	Php5,000,000.00
Chan, Ben		50	Php5,000,000.00	Php5,000,000.00
Cheng, Berck		50	Php5,000,000.00	Php5,000,000.00
Chua, David		50	Php5,000,000.00	Php5,000,000.00
Chua, Francis		50	Php5,000,000.00	Php5,000,000.00
Coseteng, Ferdinand Edwin S. <sup>2</sup>	Filipino	50	Php5,000,000.00	Php5,000,000.00
Pangilinan, Jr., Gilbert Zoilo O.		50	Php5,000,000.00	Php5,000,000.00
Delgado, Jose Roberto "Robbie"		50	Php5,000,000.00	Php5,000,000.00
Garcia, Rafael "Raffy"		50	Php5,000,000.00	Php5,000,000.00
Hess, Clinton Camposs		50	Php5,000,000.00	Php5,000,000.00
Hiranand, Haresh		50	Php5,000,000.00	Php5,000,000.00
Ho, Doris Teresa Magsaysay		50	Php5,000,000.00	Php5,000,000.00
Lagdameo, Maria Linda		50	Php5,000,000.00	Php5,000,000.00
Lhuillier, Jean Henri		50	Php5,000,000.00	Php5,000,000.00
Lim, Shiela		50	Php5,000,000.00	Php5,000,000.00
Lopez, Federico		50	Php5,000,000.00	Php5,000,000.00
Ocampo, Celestina "Tina"		50	Php5,000,000.00	Php5,000,000.00
Po, Christopher Paulus Nicolas/Chris		50	Php5,000,000.00	Php5,000,000.00
Roxas, Lorenzo "Randy"		50	Php5,000,000.00	Php5,000,000.00
Rufino, Carlos/Charlie		50	Php5,000,000.00	Php5,000,000.00
Santos, Duane		50	Php5,000,000.00	Php5,000,000.00
Teo, Zishen		50	Php5,000,000.00	Php5,000,000.00
Uttamchandani, Rajan		50	Php5,000,000.00	Php5,000,000.00
Uytengsu, Wilfred		50	Php5,000,000.00	Php5,000,000.00
Zulueta, Jeanette "JNET"		50	Php5,000,000.00	Php5,000,000.00
Espinosa, Frances		50	Php5,000,000.00	Php5,000,000.00

<sup>2</sup> †Deceased 13 October 2017.

Eduardo, Alice		50	Php5,000,000.00	Php5,000,000.00
Gonzalez, Enrique		50	Php5,000,000.00	Php5,000,000.00
			-----	-----
<b>Total Preferred Shares Subscribed</b>		<b>1,550</b>	<b>Php 155,000,000.00</b>	<b>Php 155,000,000.00</b>

## Dividends

### Dividend per Share

All Common Shares of stock shall enjoy the same rights and privileges and shall be entitled to dividends at a rate equivalent to seven percent (7%) of the total amount declared from out of the unrestricted retained earnings until the amount of investment of the stockholders owning Preferred Shares equivalent to a compounded ten percent (10%) return on the subscription amount. Thereafter, the dividend payout rate to Shareholders holding Common shares shall be twenty percent (20%) of the total amount declared from out of the unrestricted retained earnings.

### Dividend Policy

The Board of Directors is authorized to declare dividends only from the Company's unrestricted retained earnings, and the Board may not declare dividends which will impair the Company's capital. Dividends may be payable in either cash, shares or property, or a combination thereof, as the Board determines. Cash dividends are subject to approval by a majority of the board of directors and no further approval from the Company's shareholders is required. The declaration of stock dividends is subject to the approval of the Board of Directors and of stockholders representing 2/3 of the Company's outstanding capital stock, including Preferred Shares. The Company has not declared a formal dividend policy except as stated herein.

As and if dividends are declared by the Company's Board of Directors, dividends on the Offer Shares shall be equivalent to 93% of the total amount declared out of the retained earnings until the amount of the investment of stockholders owning Offer Shares plus compounded 10% return on the Offer Shares shall have been fully paid. Thereafter, the Offer Shares shall be entitled to 80% of the amount declared from out of the unrestricted retained earnings.

## Recent Sale of Unregistered/Exempt Securities

The Company does not have recent sales of unregistered or exempt securities or recent issuance of securities constituting an exempt transaction.



## MANAGEMENT DISCUSSION AND ANALYSIS

*For the period 01 January 2020 to 31 March 2020*

### **Revenues**

For the period ended March 31, 2020, the Company generated P23.6 million of operating revenues from which P22.4 million (net of P1.5 million discounts or 6% of F&B revenues) came from F&B revenues while P1.3 million of it came from sale of merchandise. The main contributor of revenues, among others, are 51% revenue from banquets (corporate and social events) in Intramuros and Anahaw and other private and semi-private rooms while, 49% of F&B revenue came from the combined revenue of restaurants or outlets - Bonifacio Dining, Avenue Bar, and the Grill. Total revenues were affected substantially by the eruption of Taal Volcano in January 12, 2020 and the COVID-19 pandemic with total cancellations of P1.0 million and P6.7 million, respectively.

### **Expenses**

Total operating expenses amounted to P35.9 million. Detailed analysis of the major expense contributors were as follows:

#### **Cost of Services**

Cost of food and beverages consumed of P9.8 million or 44% of F&B revenues. Attributed to food cost amounted to P8.1 million which equivalent to 46%, while P1.7 million was attributed for cost of beverages which is equivalent to 29%. One of the major reason on the increase in cost of Food and Beverage Cost was the effect of the Taal Volcanic Eruption and COVID-19 pandemic. Cash flow decreases so most of the purchases are coming from retail (which means higher prices of raw materials).

#### **Administrative Expenses**

Major contributors of administrative expense were:

- Total payroll is P9.7 million or 35% of total revenue.

Professional fees and contract services amounted to P2.4 million.

- The major fixed expenses concerning administration, maintenance and cost of premises were:
  - Rent of P12.3 million equivalents to 44% of gross revenue.
  - Utilities amounted to P2.2 million
  - Depreciation mounted to P4.9 million

#### **Other Income**

Other income includes membership dues and fees, interest income and other income earned by the Company. Membership dues for the year is at P4.3 million and amortized Membership fees amounted to P3.9 million.

#### **Net Income/Loss**

Due to the eruption of Taal Volcano and the rise of COVID-19 pandemic, the revenue has decreased while expenses increased thus, double negative effect on the net income for the period ended March 31, 2020 operation, total expenses still exceeds total revenue by P16.5 million (net loss).

### ***Cash Flow***

As of March 31, 2020, cash flow decreased by P6.4 million due to lesser revenues and collection of membership joining fees. Cash inflows for this quarter amounted to P53.2 million which includes collection of F&B revenues and outstanding receivables, collection of advance payments for future events, membership joining fees and membership annual dues. However, outflows on payments of expenses and payables amounted to P59.6 million arriving to the net cash decreased of P6.4 million.

### ***Capital expenditures***

In 2020, additional capital expenditures of P0.4 million were recorded. These expenditures pertain to the additional equipment needed for the operations and purchases of furniture, operation and office equipment to fully support the operations of the Club. Minimal amount was spent since the Company's cash flow wasn't able to fund the capital expenditures budgeted for year 2020.

### ***Liquidity***

The Company does not anticipate any cash flow or liquidity problem within the next 12 months despite the fact that there long outstanding payables in records. The Company has been paying its payables within the extended payments terms.

The Company closely monitors its cash flow and overall liquidity position to ensure that it sustains its operations and pay little by little its obligations - to its employees, suppliers, government and other stakeholders.

## **KEY PERFORMANCE INDICATORS**

### **1. FINANCIAL PERFORMANCE**

	<b>March 31, 2020</b>	<b>March 31, 2019</b>	<b>2020 vs.</b>	<b>%</b>
	<b>3-months</b>	<b>3-months</b>	<b>2019</b>	<b>Change</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>		
Revenues	23,642,093	26,974,738	(3,332,645)	-12%
Cost of Services	(19,154,757)	(18,341,905)	(812,852)	4%
Administrative Expenses	(30,939,658)	(33,991,424)	3,065,205	-9%
Other Income	10,004,027	12,327,512	(2,336,925)	-19%
<b>Net Loss</b>	<b>(16,448,295)</b>	<b>(13,031,079)</b>	<b>(3,417,217)</b>	<b>26%</b>

### **REVENUES**

#### **2020 vs. 2019**

Overall, revenues from operations were down by 12% as compared to last year over the same period, with F&B revenues and retail both decreased, as member engagement were reduced for 2020. Revenues were affected substantially by the eruption of Taal Volcano in January 12, 2020 and the COVID-19 pandemic with total cancellations of P1.0 million and P6.7 million, respectively.

## **COST OF SERVICES**

### **2020 vs. 2019**

Total cost of services increased by 4% due to rise in cost of Food and Beverage Cost as effected by the Taal Volcanic Eruption and COVID-19 pandemic. Cash flow decreases and cannot pay off the outstanding payables to suppliers so most of the purchases are COD and coming from retail purchases (which means higher prices of raw materials).

## **ADMINISTRATIVE EXPENSES**

### **2020 vs. 2019**

Major contributors of administrative expense were:

- Total payroll is P51.2 million or 29% of total revenue. This is due to key appointments and additions to management team. Company were on the total of 111 employees.

Professional fees and contract services amounted to P6.9 million.

- The major fixed expenses concerning administration, maintenance and cost of premises were:
  - Rent of P52.2 million equivalent to 30% of gross revenue which is considered high comparing it to Industry Standard reportedly at 22%. Rent expense are lump into Depreciation and Amortization and Finance Cost accounts as we adopt the PFRS 16 starting 2019.
  - Utilities amounted to P6.8 million
  - Depreciation pertaining to normal assets wear and tear amounted to P27.7 million. A Right-of-use asset was recognized as we adopt the PFRS 16 during the year with depreciation of P34.8 million.

## **OTHER INCOME**

### **2020 vs. 2019**

Other income includes membership dues and fees, interest income and other income earned by the Company. Membership dues for the year is at P4.3 million and amortized Membership fees amounted to P3.9 million. 19% decreased in revenue was due to lesser membership joining fees this period.

## **NET LOSS**

### **2020 vs. 2019**

Due to the eruption of Taal Volcano and the rise of COVID-19 pandemic, the revenue has decreased while expenses increased thus, double negative effect on the net income for the period ended March 31, 2020 operation, total expenses still exceeds total revenue by P16.5 million (net loss).

## **2. OPERATIONS**

The Company monitors and tracks operational effectivity and efficiency through departmental profitability. As of March 31, 2020, food and beverage operations had not yet reached a positive level of cost control and efficiency. Thus, during this period, operational costs were

still high leading to very low departmental profit. As the company improves its operations by increasing revenues and managing expenses, it continues to monitor its gross operating profit.

The Company continues to work with new suppliers to assure the quality, diversity, and Filipino restaurant in the area.

The Company will always continue to review the quality of our service against our high standards. It will also seek technology enhancements and digitalization to improve the efficiency, effectiveness, and cost competitiveness of our products and services.

The Company has no obligation and other relationships with unconsolidated entities or other persons created during the reporting period.

### **3. GUEST SATISFACTION**

The Company established a system and agreed on a methodology to implement a guest satisfaction survey to ensure that the quality of the food and service is maintained and to identify units which will require improvement.

### **4. MARKETING PLAN**

The Company conducted intensive planning sessions to come up with a marketing plan to generate banquet sales and increase customer patronage of the Company. This is essential in meeting target sales for the year. The marketing plan also enabled the Company to strategize and identify the sales people to employ, the resources required to achieve the goals and the activities to be initiated to interest a wider membership.

### **5. HUMAN RESOURCE STRATEGY**

The Company will ensure that its employees will be continuously trained. It will also implement a coaching/mentoring system to ensure the proper development of all staff.

As part of the Company's Corporate Social Responsibility activity, the Company will seek to hire student trainees from other hospitality schools, such as the Magsaysay Center for Hospitality and Culinary Arts, to provide them the necessary on the ground work experience, allowing them to join the workforce after graduation.

### **6. FACILITIES CONSTRUCTION**

Plans for additional works for the enhancement and improvements of the facilities of the Company is on the Management's priorities to support the operations and ensure that the Company is in the state of comfort and convenience.

## *Plans and Prospects*

### **Increasing membership diversity, involvement, and satisfaction**

The Club continues to work on revenue opportunities by increasing membership diversity, involvement and satisfaction with the objective of increasing patronage and visits to the Club while striving to manage its operational expenses by promoting efficiency, exercising sound financial discipline and ensuring adherence to prescribed managerial policies and control processes.

The Company will increase membership involvement by forming committees based on sector and personal interest. The Company will work closely with these committees as champions to conceptualize, organize, and execute learning activities and special immersion events. In addition, we will organize a committee comprised primarily of our younger members to brainstorm activities that will be more relevant to their demographic.

Manila House also aims to provide additional value to its general membership by organizing activities that will interest the broad membership. Examples of these are: book launches, concerts, film showings, and various talks from preeminent experts in their field.

Manila House is in discussions with other International Membership Company's that share the same goals, for reciprocity arrangements to give our members access to carefully selected list of Company's in major cities throughout the world.

## MANAGEMENT'S DISCUSSION AND ANALYSIS AND ITS PLAN OF OPERATIONS

### Company Establishment

The Company was established on 15 March 2016 by a group of investors around a shared vision and mission. Some of the founding investors also serve as managers of the company.

### Vision

Manila House, a Private Members Company, is a culturally shaped space of belonging, inspiration and kinship that brings diverse sectors of society together, driven by a common interest to learn from each other.

### Mission

The Company will delight its members and guests with great value and experiences.

Profit	The Company is a sustainable and profitable enterprise. It will strive for profitable returns and growth for its investors. It will comply with government fiscal and non-fiscal regulations.
People	The Company will project, embody and sustain an image and reputation that will attract and retain a great talent pool.
Portfolio	The Company offers excellent food and facilities and a diverse and exciting program of activities and events that will allow different sectors to meet and to learn from each other.
Partners	The Company will project, embody and sustain an image and reputation that will attract a desired member and guest pool, supplier pool, sponsor pool and partners for activities and events.
Planet	The Company will strictly comply with the Net Park green building principles and safety and sanitation policies.
Productivity	The Company will be efficiently managed with well-thought out processes that delight members, guests and employees in every way.

### *For the period of December 2018 to December 2019*

#### *Revenues*

For the period ended December 31, 2019, the Company generated P173.6 million of operating revenues from which P123.1 million (net of P5 million discounts or 4% of F&B revenues) came from F&B revenues while P6.1 million came from sale of merchandise. 56% of the F&B revenue is sourced from banquets (corporate and social events) in Intramuros and Anahaw and other private and semi-private rooms while 44% of F&B revenue came from the combined revenue of restaurants or outlets - Bonifacio Dining, Avenue Bar, and the Grill. Membership dues for the year is at P25.5 million and amortized Membership fees amounted to P21.4 million.

#### *Expenses*

Total expenses as of December 31, 2019 decreased due to various monitoring and cost savings measures implemented by management. Total operating expenses amounted to P222.9 million. Detailed analysis of the major expense contributors were as follows:

#### **Cost of Services**

P43.8 million or 37% of F&B revenues was allocated for food and beverages in contrast to a 44% allocation in 2018. Food expenditures amounted to P34.8 million, or 39% of the total food and beverage expenditure as compared to 45% in 2018, while P9.0 million was

allocated to beverages which is equivalent to 29% of the total food and beverage expenditure. The major reasons for the improvement of Food and Beverage Cost was the proper monitoring and management on the production, inventories, and wastage. Moreover, the Purchasing Team worked with key suppliers to ensure the appropriate balance between price and quality for all of our goods.

### **Administrative Expenses**

Major contributors of administrative expense were:

- Total payroll is P51.2 million or 29% of total revenue. This is due to key appointments and additions to the management team. In total, the Company has 111 employees.

Professional fees and contract services amounted to P6.9 million.

- The major fixed expenses concerning administration, maintenance and cost of premises were:
  - Rent of P52.2 million equivalent to 30% of the gross revenue, a value higher than the Industry Standard of 22%. Rent expense are lumped into Depreciation and Amortization and Finance Cost accounts as we adopt the PFRS 16 starting 2019.
  - Utilities amounted to P6.8 million
  - Depreciation attributable to normal assets wear and tear amounted to P27.7 million. A Right-of-use asset was recognized as we adopt the PFRS 16 during the year with depreciation of P34.8 million.

### **Other Income**

Other income includes interest income and other income earned by the Company. A major contributor of other income is the condonation of the accrued management fees for 2019.

### **Net Income/Loss**

Considering it is in its third year of operations, the Company is still in the process of improving its process in generating revenues and managing expenses thus, for the period ended December 31, 2019 operation, total expenses still exceeds total revenue by P69.9 million (net loss).

### *Cash Flow*

As of December 31, 2019, cash flow increased by P2.6 million, amounting to a total of P39.6 million generated by Company operations. Cash inflow from operations was mainly spent to pay off working capital requirement of P25.7 million and for acquisition of property and equipment amounted to P11.2 million.

### *Capital expenditures*

In 2019, additional capital expenditures of P7 million were recorded. These expenditures pertain to the additional equipment needed for the operations as well as for the purchase of furniture and office equipment to fully support the operations of the Club. As of the end of December 2019, the cumulative total of property and equipment cost was at P137.8 million with P75.7 million attributable to accumulated depreciation.

### *Liquidity*

The Company does not anticipate any cash flow or liquidity problem within the next 12 months and is not in default of any note, lease or other indebtedness of financing commitments. The Company is updated with its payables within the stated terms.

The Company closely monitors its cash flow and overall liquidity position to ensure that it sustains its operations and pay all its obligations - to its employees, suppliers, government and other stakeholders as they become due.

#### *Equity*

Share capital has decreased by P69.5 million attributable to the loss for the year. Total equity net of deficit (P239.7 million cumulative from 2016 to date) amounted to P84 million.

### **KEY PERFORMANCE INDICATORS**

#### ***Financial Performance***

	December 31, 2019	December 31, 2018	2019 vs. 2018	% Change
Revenues	173,602,660	177,175,120	(3,572,460)	-2%
Cost of Services	(142,184,169)	(153,374,787)	(11,190,618)	-7%
Administrative Expenses	(96,806,078)	(89,380,291)	7,425,787	8%
Other Income	3,814,245	712,283	3,101,962	435%
<b>Net Loss</b>	<b>(61,573,342)</b>	<b>(64,867,675)</b>	<b>3,294,333</b>	<b>5%</b>

#### ***Revenues***

For the period ended December 31, 2019, the Company generated P173.6 million from operating revenue. Of this value, P123.1 million (net of P5 million discounts or 4% of F&B revenues) came from F&B revenues while P6.1 million came from sale of merchandise. 56% of the total revenue is from banquets (corporate and social events) in Intramuros and Anahaw and other private and semi-private rooms while 44% of F&B revenue came from the combined revenue of restaurants or outlets - Bonifacio Dining, Avenue Bar, and the Grill. Membership dues for the year is at P25.5 million and amortized Membership fees amounted to P21.4 million.

Overall, as of December 31, 2019, revenues from operations decreased by 2% as compared to the previous year over the same period, due to a decrease in both F&B revenues and Retail. Member engagement also decreased in 2019.

#### ***Cost of Services***

P43.8 million or 37% of F&B revenues was allocated for food and beverages in contrast to a 44% allocation in 2018. Food expenditures amounted to P34.8 million, or 39% of the total food and beverage expenditure as compared to 45% in 2018, while P9.0 million was allocated to beverages which is equivalent to 29% of the total food and beverage expenditure. The major reasons for the improvement of Food and Beverage Cost was the proper monitoring and management on the production, inventories, and wastage. Moreover, the Purchasing Team worked with key suppliers to ensure the appropriate balance between price and quality for all of our goods.

#### ***Administrative Expenses***

Major contributors of administrative expense were:

- Total payroll is P51.2 million or 29% of total revenue. This is due to key appointments and additions to the management team. In total, the Company has 111 employees.

Professional fees and contract services amounted to P6.9 million.

- The major fixed expenses concerning administration, maintenance and cost of premises were:



- Rent of P52.2 million equivalent to 30% of the gross revenue, a value higher than the Industry Standard of 22%. Rent expense are lumped into Depreciation and Amortization and Finance Cost accounts as we adopt the PFRS 16 starting 2019.
- Utilities amounted to P6.8 million
- Depreciation attributable to normal assets wear and tear amounted to P27.7 million. A Right-of-use asset was recognized as we adopt the PFRS 16 during the year with depreciation of P34.8 million.

### **Other Income**

Other income includes interest income and other income earned by the Company. A major contributor of other income is the condonation of the accrued management fees for 2019.

### **Net Loss**

#### **2019 vs. 2018**

Considering it is in its third year of operations, the Company is still in the process of improving its process in generating revenues and managing expenses thus, for the period ended December 31, 2019 operation, total expenses still exceeds total revenue by P69.9 million (net loss).

### **Operations**

The Company monitors and tracks operational effectivity and efficiency through departmental profitability. As of December 31, 2019, food and beverage operations had not yet reached the optimal level of cost control and efficiency. Thus, during this period, operational costs were still elevated leading to low departmental profit. As the company improves its operations by increasing revenues and managing expenses, it continues to monitor its gross operating profit.

The Company continues to work with new suppliers to assure the quality and diversity expected from a Filipino restaurant in Bonifacio Global City.

The Company will always continue to review the quality of our service against our high standards. It will also seek technology enhancements and digitalization to improve the efficiency, effectiveness, and cost competitiveness of our products and services.

The Company has no obligation and other relationships with unconsolidated entities or other persons created during the reporting period.

### **Guest Satisfaction**

The Company established a system and agreed on a methodology to implement a guest satisfaction survey to ensure that the quality of the food and service is maintained and to identify areas for improvement.

### **Marketing Plan**

The Company conducted intensive planning sessions to come up with a marketing plan to generate banquet sales and increase customer patronage of the Company. This is essential in meeting target sales for the year. The marketing plan also enables the Company to strategize and identify the sales people to employ, the resources required to achieve the goals and the activities to be initiated to interest a wider membership.

### **Human Resource Strategy**

The Company will ensure that its employees will be continuously trained. It will also implement a coaching/mentoring system to ensure the proper development of all staff.

As part of the Company's Corporate Social Responsibility activity, the Company will seek to hire student trainees from other hospitality schools, such as the Magsaysay Center for Hospitality and Culinary Arts, to provide them the necessary work experience, assisting them in their endeavor to join the workforce after graduation.

#### **Facilities construction**

Plans for additional works for the enhancement and improvements of the facilities of the Company is a Management priority. This will support the operations and ensure that the Company is in the state of comfort and convenience.

#### ***Plans and Prospects***

##### **Increasing membership diversity, involvement, and satisfaction**

The Club continues to work on revenue opportunities by increasing membership diversity, involvement and satisfaction with the objective of increasing patronage and visits to the Club while striving to manage its operational expenses by promoting efficiency, exercising sound financial discipline and ensuring adherence to prescribed managerial policies and control processes.

The Company will increase membership involvement by forming committees based on sector and personal interest. The Company will work closely with these committees spearheading the conceptualization, organization, and execution of learning activities and special immersion events. In addition, we will organize a committee comprised primarily of our younger members to brainstorm activities that will be more relevant to their demographic.

Manila House also aims to provide additional value to its general membership by organizing activities that will interest the broad membership. Examples of these are: book launches, concerts, film showings, and various talks from preeminent experts in their field.

Manila House is in discussions with other International Membership Company's that share the same goals, for reciprocity arrangements to give our members access to carefully selected list of Company's in major cities throughout the world.

#### ***For the period ended December 31, 2017***

##### *Revenues*

In December 2017, total Food and Beverage (F&B) revenues amounted to P107.2 million. The Company has partially started its operations in January 2017 but fully operated starting April 2017.

For the year 2017, the Company generated P116.6 million of operating revenue. P108.4 million came from F&B revenues while P8.2 is attributable to the sale of merchandise. The main contributor of revenues, among others, are 57% of F&B revenue which came from the combined revenue from restaurants or outlets - Bonifacio Dining, Avenue Bar, the Grill and Issho – and revenue from banquets (corporate and social events) in Intramuros and Anahaw and other private and semi-private rooms.

Moreover, since the Company has acquired its effectivity of the registration from Securities and Exchange Commission (SEC) in October 2017, revenue from membership fees and dues were collected. As of December 2017, total membership fees and dues amounted to P108.5 million in which P97.0 million membership fees was collected from 667 total members of all

types, In accordance with accounting standards for recognition of revenue, P8.5 million was recognized for the year 2017. Also for the year, revenue from membership dues earned from all type of member amounted to P11.5 million.

#### *Expenses*

Total F&B expenses increased due to the cost of functions, events and other administrative needs to facilitate increase in revenues. For the year, the Company incurred a total of P214.6 million of total expenses. Expenses can be broken down as follows:

- Cost of food and beverages consumed P57.1 million. P46.1 million is attributed to food cost, while P10.9 million was spent for beverages.
- Total payroll is P37.3 million or 32% of total revenue. This is due to regularization of previously contracted Labor Services starting April 2017. The Company had on average 141 employees. As of December 2017, total of 121 employees were already regular.

Professional fees and contract services amounted to P12.5 million and P7.3 million, respectively.

- The major fixed expenses concerning administration, maintenance and cost of premises were:
  - Rent of P52.3 million, which escalated by 5% starting October 16, 2017. This is equivalent to 32% of gross revenue which is considered high compared to the Industry Standard reportedly as 22%
  - Utilities amounted to P7.9 million
  - Depreciation amounted to P17.8 million

As the first year of operations and considering some completion of 2016 started projects in 2017, the Company is still on the process of improving more of its processes in generating revenues and managing expenses. It is indeed that the expenses incurred were massive and because of 2017 relatively lower revenues recognized F&B, membership fees membership dues, the expense exceeds revenues P54.4 million for the year. Through continuous improvement, the Company foresee a better result of operations for the coming years.

#### *Cash Flow*

The Company ended P45.1 million cash flow in 2016. In 2017, Cash flow was decreased to P20.6 million due to the outflows of cash amounted to P100.5 million which pertains to acquisition of property and equipment and loss from operations amounted to P58.9 million. However, these were partially offset by the cash inflows amounted to P71.1 million which are mainly attributable to the collection of membership fees and dues and the issuance of shares.

#### *Capital expenditures*

In 2016, a total of P73.5 million were spent for capital expenditures, P7.8 million of it were provided as accumulated depreciation. These expenditures were broken down into: P38.0 million for site improvements, P32.4 million for furniture, fixtures and equipment, P0.7 million for transportation and equipment and P2.4 million for construction in progress.

In 2017, additional capital expenditures of P49.3 million were incurred. These expenditures pertain to the additional electrical works and installation of equipment needed for the operations and purchases of furniture, operation and office equipment to fully support the operations of the Company. As at the end of December 2017, the cumulative total of property and equipment cost was at P122.8 million with P25.6 million already having been provided in accumulated depreciation.

### *Liquidity*

As compared to 2016, the Company's advances from shareholders greatly decreased from P116.1 million to P3.2 million since P113.6 million shares that was classified as advances in 2016 were converted to equity when the regulatory approval from SEC was obtained in October 2017.

The Company does not anticipate any cash flow or liquidity problem within the next 12 months and is not in default of any note, lease or other indebtedness of financing commitments. The Company has been paying its payables within the stated terms. In fact, the Company has a total outstanding receivables from its members of P11.5 million which are to be collected in the early 2018.

The Company closely monitors its cash flow and overall liquidity position to ensure that it sustains its operations and pay all its obligations - to its employees, suppliers, government and other stakeholders as they become due.

The Company's current assets are more than sufficient to cover liabilities arising from operations and supplier transactions. Nonetheless, the Company currently has an existing credit line with Union Bank of the Philippines to augment any unexpected shortfall in the cash flow.

### *Equity*

Share capital has been increased since, as discussed above, the regulatory approval was obtained and the advances from shareholders amounted to P113.6 million was converted to preferred and common shares.

## **KEY PERFORMANCE INDICATORS**

### ***Financial Performance***

			<b>% Change</b>
	<b>2017</b>	<b>2016</b>	<b>2017 vs. 2016</b>
Revenues	116,560,092	1,988,621	5761%
Cost of Services	59,059,025	683,313	8543%
Administrative Expenses	155,521,976	61,588,154	153%
Other Income	20,638,540	259,280	7860%
<b>Net Income</b>	<b>(77,382,369)</b>	<b>(60,023,566)</b>	<b>-88%</b>

### ***Revenues***

#### *2017 vs. 2016*

For the year 2017, the Company generated P116.6 million of operating revenues from which P108.4 million came from F&B revenues while P8.2 of it came from sale of merchandise. The main contributor of revenues, among others, are 57% of F&B revenue came from the combine revenue of restaurants or outlets - Bonifacio Dining, Avenue Bar, the Grill and Issho and 43% revenue from banquets (corporate and social events) in Intramuros and Anahaw and other private and semi-private rooms.

### ***Cost of Services***

#### *2017 vs. 2016*

Cost of food and beverages consumed of P57.1 million. P46.1 million is attributed to food cost equivalent 57%, while P10.9 million is for beverages which is equivalent to 33%.

### ***Administrative Expenses***

#### *2017 vs. 2016*

In line with the increased in revenues, total F&B expenses has increased due to the administrative needs to facilitate increase in revenues. Major contributor of administrative expenses were:

- Total payroll is P37.3 million or 32% of total revenue. This is due to regularization of previously contracted Labor Services starting April 2017. Personnel of the Company were on the average of 141 employees. Meanwhile, as of December 2017, total of 121 employees are already regular.

Professional fees and contract services amounted to P12.5 million and P7.3 million, respectively.

- The major fixed expenses concerning administration, maintenance and cost of premises were:
  - Rent of P52.3 million, as escalated by 5% starting October 16, 2017, this is equivalent to 32% of gross revenue which is considered high comparing it to Industry Standard reportedly as 22%
  - Utilities amounted to P7.9 million

Depreciation amounted to P17.8 million

### ***Other Income***

#### *2017 vs. 2016*

Other income includes membership fees and dues, interest income and other income earned by the Company. Major contributor of other income are the membership fees and membership dues for the year.

Since the Company has acquired its effectivity of the registration from Securities and Exchange Commission (SEC) in October 2017, revenues from membership fees and dues has been earned.

As of December 2017, total membership fees and dues amounted to P108.5 million in which P97.0 million membership fees was collected from 666 total members of all types. In accordance with accounting standards for recognition of revenue, P8.5 million was recognized for the year 2017. Also for the year, revenue from membership dues earned from all type of member amounted to P11.5 million.

### ***Net Income***

#### *2017 vs. 2016*

As the first year of operations and considering some completion of 2016 started projects in 2017, the Company is still on the process of improving more of its processes in generating revenues and managing expenses. It is indeed that the expenses incurred were massive and because of 2017 relatively lower revenues recognized F&B, membership fees membership dues, the expense exceeds revenues P54.4 million for the year.

### **Key Variable and Other Qualitative and Quantitative Factors.**

There are no known trends, events or uncertainties that will have a material impact on liquidity.

No known events will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

At present, there are no material commitments for capital expenditures.

The Club is expecting decrease in sales due to the impact of the COVID 19 pandemic

There are no significant elements of Income or Loss from continuing operations.

There are no causes for any material changes from period to period of the financial statement

There are no seasonal aspects that have material effect on the Financial Statement as audited.



Manila House

STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS

The management of Manila House Private Club, Inc. (the "Club") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the year ended December 31, 2019 and December 31, 2018, 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.

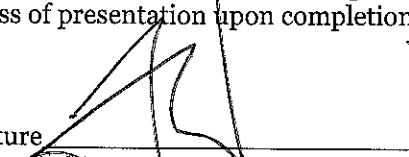
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or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

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

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

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

Signature

  
\_\_\_\_\_  
JOSE L. ARCILLA  
President

Signature

  
\_\_\_\_\_  
DORIS M. HO  
Chairman

Signature

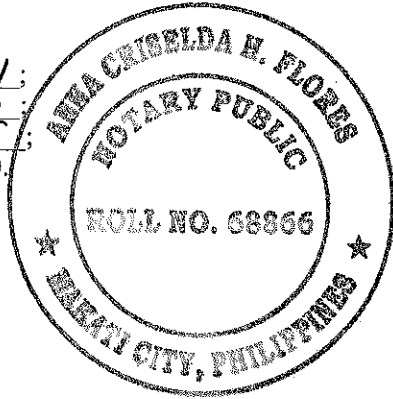
  
\_\_\_\_\_  
ANTONIO RAYMUNDO D. SAN DIEGO  
Treasurer

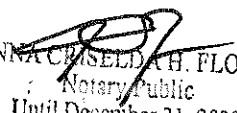
Signed this 28<sup>th</sup> day of July 2020

SUBSCRIBED AND SWORN TO before me this 28<sup>th</sup> day of July, 2020, affiant exhibiting to me their Government-issued IDs, as follows:

	<u>ID No.</u>	<u>Expiry</u>
Jose L. Arcilla	DL N-04-90-MID82	12 October 2022
Doris M. Ho	TIN 101-357-770	
Antonio Raymundo O. San Diego	Passport P8483762A	23 August 2028

Doc. No. 191;  
Page No. 40;  
Book No. II;  
Series of 2020.



  
ANNA CRISELDA H. FLORES  
Notary Public  
Until December 31, 2020  
Roll of Attorneys No. 68866  
PTR No. 8116994; 01-03-2020; Makati City  
IBF No. 101370; 01-06-2020; Makati City  
MCLE Compliance No. VI-0024784; 04-11-2019  
Notarial Commission No. M-211  
5F Montepino Bldg., 138 Amorsolo St.,  
Legaspi Village, Makati City



# ***Manila House Private Club, Inc.***

**Financial Statements**

**As at December 31, 2019 and 2018  
and for each of the three years in the  
period ended December 31, 2019**



## Independent Auditor's Report

To the Board of Directors and Shareholders of  
**Manila House Private Club, Inc.**  
Seven/NEO, 5<sup>th</sup> Avenue  
Bonifacio Global City  
Taguig 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 Manila House Private Club, Inc. (the "Club") as at December 31, 2019 and 2018 and its financial performance and its cash flows for each of the three years in the period ended December 31, 2019 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, 2019 and 2018
- the statements of total comprehensive income for each of the three years in the period ended December 31, 2019;
- the statements of changes in equity for each of the three years in the period ended December 31, 2019;
- the statements of cash flows for each of the three years in the period ended December 31, 2019; and
- the notes to the financial statements, which include a summary of significant accounting policies.

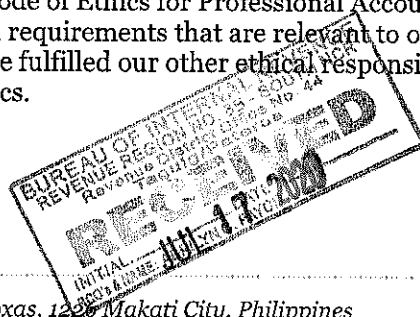
### *Basis for our Opinion*

We conducted our audits 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.



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Independent Auditor's Report  
To the Board of Directors and Shareholders of  
Manila House Private Club, Inc.  
Page 2

***Material Uncertainty Regarding Going Concern***

As discussed in Note 1 to the financial statements, the Club has been incurring losses and is in a capital deficiency position as at December 31, 2019. As at December 31, 2019, deficit and capital deficiency amounted to P239,713,091 and P84,030,092 (2018 - P170,012,349 and P16,141,198), respectively. These conditions, along with other matters set forth in Note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Club's ability to continue as a going concern. Management's plans regarding this matter are disclosed in Note 1. We have performed audit procedures to evaluate management's plans for future action as to their likelihood to improve the situation and as to their feasibility under the circumstances. Our opinion is not modified in respect of this matter.

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

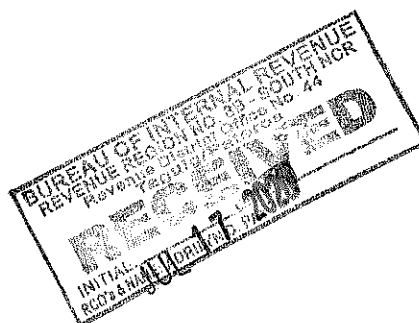
Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud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





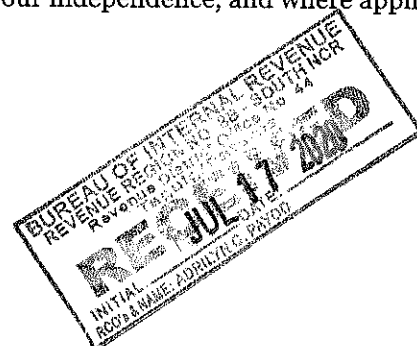
Independent Auditor's Report  
To the Board of Directors and Shareholders of  
Manila House Private Club, Inc.  
Page 3

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

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

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





Isla Lipana & Co.

Independent Auditor's Report  
To the Board of Directors and Shareholders of  
Manila House Private Club, Inc.  
Page 4

**Report on the Bureau of Internal Revenue Requirement**

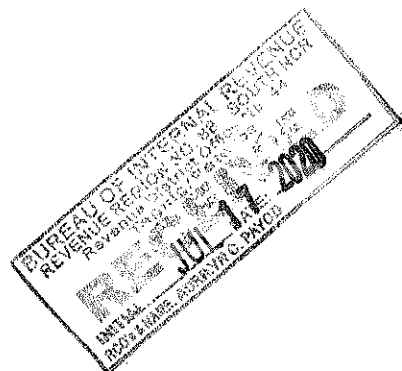
Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 24 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such 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.

The engagement partner on the audit resulting in this independent auditor's report is Catherine H. Santos.

**Isla Lipana & Co.**

Catherine H. Santos  
Partner  
CPA Cert. No. 0110097  
P.T.R. No. 0011422; issued on January 7, 2020 at Makati City  
SEC A.N. (individual) as general auditors 1660-A, Category A; effective until September 6, 2020  
SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021  
T.I.N. 211-726-564  
BIR A.N. 08-000745-132-2020; issued on June 5, 2020; effective until June 4, 2023  
BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City,  
July 15, 2020





Isla Lipana & Co.

Statement Required by Rule 68  
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of  
**Manila House Private Club, Inc.**  
Seven/NEO, 5<sup>th</sup> Avenue, Bonifacio Global City  
Taguig City

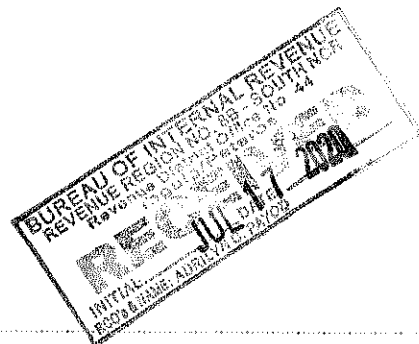
We have audited the financial statements of Manila House Private Club, Inc. (the "Club") as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, on which we have rendered the attached report dated July 15, 2020.

In compliance with SRC Rule 68 and based on the certification received from the Club's corporate secretary, the Club has five (5) shareholders owning one hundred (100) or more common shares each as at December 31, 2019.

**Isla Lipana & Co.**

Catherine H. Santos  
Partner  
CPA Cert. No. 0110097  
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Makati City,  
July 15, 2020



*Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines*  
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Isla Lipana & Co.

Statement Required by Section 8-A, Revenue Regulations No. V-1

To the Board of Directors and Shareholders of  
**Manila House Private Club, Inc.**  
Seven/NEO, 5<sup>th</sup> Avenue, Bonifacio Global City  
Taguig City

None of the partners of the firm have any financial interest in Manila House Private Club, Inc. or any family relationships with its president, manager, or shareholder.

The required information regarding taxes and licenses is presented in Note 24 to the financial statements.

**Isla Lipana & Co.**

Catherine H. Santos  
Partner

CPA Cert. No. 0110097

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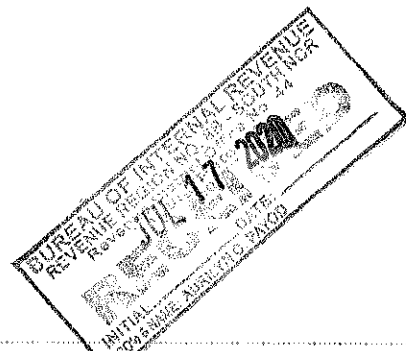
SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021

T.I.N. 211-726-564

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BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City,  
July 15, 2020



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Isla Lipana & Co.

**Independent Auditor's Report on  
Components of Financial Soundness Indicators**

To the Board of Directors and Shareholders of  
**Manila House Private Club, Inc.**  
Seven/NEO, 5<sup>th</sup> Avenue, Bonifacio Global City  
Taguig City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Manila House Private Club, Inc. (the Club) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated July 15, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Club's management. These financial soundness indicators are not measures of the operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Club's financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

**Isla Lipana & Co.**

Catherine H. Santos  
Partner

CPA Cert. No. 0110097

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SEC A.N. (individual) as general auditors 1660-A, Category A; effective until September 6, 2020

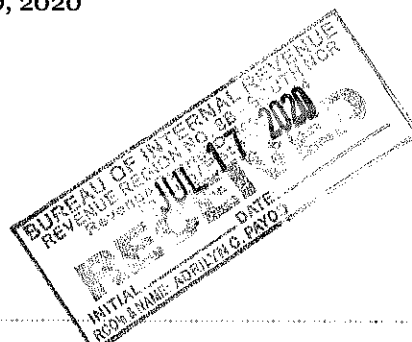
SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021

T.I.N. 211-726-564

BIR A.N. 08-000745-132-2020; issued on June 5, 2020; effective until June 4, 2023

BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City,  
July 15, 2020



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Isla Lipana & Co.

Statement Required by Rule 68  
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of  
**Manila House Private Club, Inc.**  
Seven/NEO, 5<sup>th</sup> Avenue, Bonifacio Global City  
Taguig City

We have audited the financial statements of Manila House Private Club, Inc. as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 on which we have rendered the attached report dated July 15, 2020. The supplementary information shown in the Reconciliation of Retained Earnings for Dividend Declaration, and Schedules A, B, C, D, E, F, and G as required by Part II, Section 6 of Rule 68 of the SRC, are presented for purposes of filing with the Securities and Exchange Commission and are not required parts 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 have been prepared in accordance with Parts I and II of Rule 68 of the SRC.

**Isla Lipana & Co.**

Catherine H. Santos

Partner

CPA Cert. No. 0110097

P.T.R. No. 0011422; issued on January 7, 2020 at Makati City

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Makati City,  
July 15, 2020



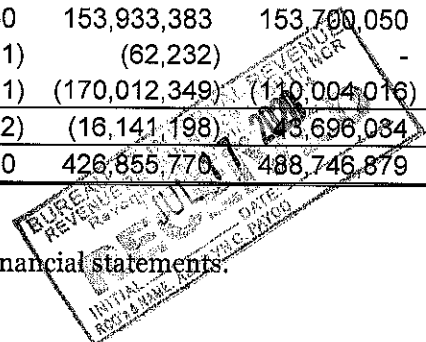
Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines  
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**Manila House Private Club, Inc.**

Statements of Financial Position  
As at December 31, 2019 and 2018 and January 1, 2018  
(All amounts in Philippine Peso)

	Notes	December 31 2019	December 31, 2018	January 1, 2018
			(As restated)	(As restated)
<b><u>ASSETS</u></b>				
<b>Current assets</b>				
Cash	2	6,494,904	3,842,469	20,570,248
Trade and other receivables	3	10,756,784	11,202,346	11,482,989
Inventories	4	4,336,252	3,939,379	3,864,199
Prepayments and other current assets	5	3,398,842	2,665,466	4,098,533
<b>Total current assets</b>		<b>24,986,782</b>	<b>21,649,660</b>	<b>40,015,969</b>
<b>Non-current assets</b>				
Right of use asset, net	7	228,958,957	263,812,842	298,610,797
Property and equipment, net	6	62,117,035	82,778,511	97,191,010
Deferred income tax assets, net	8	33,292,057	41,446,128	36,560,115
Other non-current assets	9	17,341,209	17,168,629	16,368,988
<b>Total non-current assets</b>		<b>341,709,258</b>	<b>405,206,110</b>	<b>448,730,910</b>
<b>Total assets</b>		<b>366,696,040</b>	<b>426,855,770</b>	<b>488,746,879</b>
<b><u>LIABILITIES AND EQUITY</u></b>				
<b>Current liabilities</b>				
Trade and other payables	11	47,553,487	38,397,105	37,793,790
Current portion of deferred income	15	27,826,616	16,667,468	12,186,709
Current portion of lease liabilities	7	39,241,428	25,059,185	21,804,046
Advances from shareholders	12	4,900,751	2,387,465	2,529,943
<b>Total current liabilities</b>		<b>119,522,282</b>	<b>82,511,223</b>	<b>74,314,488</b>
<b>Non-current liabilities</b>				
Lease liabilities, net of current portion	7	240,031,230	268,633,684	293,692,869
Deferred income, net of current portion	15	89,077,842	90,960,725	77,043,488
Retirement benefit obligation	13	2,094,778	891,336	-
<b>Total non-current liabilities</b>		<b>331,203,850</b>	<b>360,485,745</b>	<b>370,736,357</b>
<b>Total liabilities</b>		<b>450,726,132</b>	<b>442,996,968</b>	<b>445,050,845</b>
<b>Equity</b>				
Share capital	14	156,000,050	153,933,383	153,700,050
Other reserves		(317,051)	(62,232)	-
Deficit		(239,713,091)	(170,012,349)	(110,004,016)
<b>Total equity (capital deficiency)</b>		<b>(84,030,092)</b>	<b>(16,141,198)</b>	<b>43,696,034</b>
<b>Total liabilities and equity</b>		<b>366,696,040</b>	<b>426,855,770</b>	<b>488,746,879</b>

The notes on pages 1 to 33 are integral part of these financial statements.



**Manila House Private Club, Inc.**

Statements of Total Comprehensive Income  
For each of the three years in the period ended December 31, 2019  
(All amounts in Philippine Peso)

	Notes	2019	2018	2017
			(As restated)	(As restated)
<b>Net revenues</b>				
Net sales	16	167,495,274	169,930,582	128,394,192
Retail and club event sales	16	6,107,386	7,244,538	8,159,988
		173,602,660	177,175,120	136,554,180
<b>Cost of sales and services</b>				
Depreciation and amortization	6,7	(56,328,359)	(48,220,885)	(44,564,048)
Food and beverage expenses	4	(43,810,817)	(56,486,310)	(59,059,025)
Payroll and related expenses	17	(25,055,433)	(33,216,411)	(27,214,541)
Other expenses	18	(16,989,560)	(15,451,181)	(17,990,469)
		(142,184,169)	(153,374,787)	(148,828,083)
<b>Gross profit</b>		31,418,491	23,800,333	(12,273,903)
Operating expenses	19	(80,868,223)	(72,129,367)	(54,233,586)
Other income, net	20	3,814,245	712,283	640,901
<b>Operating loss</b>		(45,635,487)	(47,616,751)	(65,866,588)
Finance cost	7	(15,937,855)	(17,250,924)	(18,379,800)
<b>Loss before income tax</b>		(61,573,342)	(64,867,675)	(84,246,388)
Income tax benefit (expense)	8	(8,127,400)	4,859,342	25,047,452
<b>Net loss for the year</b>		(69,700,742)	(60,008,333)	(59,198,936)
<b>Other comprehensive income (loss)</b>				
Item that will not be subsequently reclassified to profit or loss				
Actuarial loss on defined benefit plan		(254,819)	(62,232)	-
<b>Total comprehensive loss for the year</b>		(69,955,561)	(60,070,565)	(59,198,936)

The notes on pages 1 to 33 are integral part of these financial statements.

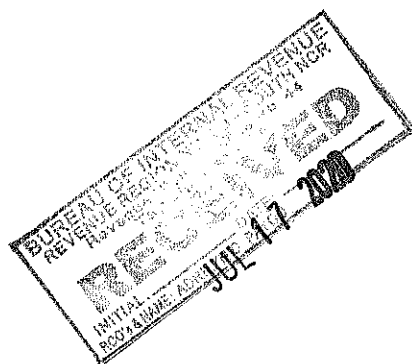


**Manila House Private Club, Inc.**

Statements of Changes in Equity  
For each of the three years in the period ended December 31, 2019  
(All amounts in Philippine Peso)

	Notes	Share capital	Other reserves	Retained earnings (Deficit)	Total equity
<b>Balances as at January 1, 2017</b>		66,000,030	-	(49,182,256)	16,817,774
Effect of restatement due to adoption of PFRS 16	23.19	-	-	(1,622,824)	(1,622,824)
<b>Balances, as restated</b>		66,000,030	-	(50,805,080)	15,194,950
<b>Comprehensive loss</b>					
Net loss for the year		-	-	(59,198,936)	(59,198,936)
Other comprehensive loss for the year		-	-	-	-
<b>Total comprehensive loss for the year</b>		-	-	(59,198,936)	(59,198,936)
<b>Transaction with shareholders</b>					
Collection of subscription receivable	14	87,700,020	-	-	87,700,020
<b>Balances as at December 31, 2017, as restated</b>		153,700,050	-	(110,004,016)	43,696,034
<b>Comprehensive loss</b>					
Net loss for the year		-	-	(60,008,333)	(60,008,333)
Other comprehensive loss for the year		-	(62,232)	-	(62,232)
<b>Total comprehensive loss for the year</b>		-	(62,232)	(60,008,333)	(60,070,565)
<b>Transaction with shareholders</b>					
Collection of subscriptions receivable	14	233,333	-	-	233,333
<b>Balances as at December 31, 2018, as restated</b>		153,933,383	(62,232)	(170,012,349)	(16,141,198)
<b>Comprehensive loss</b>					
Net loss for the year		-	-	(69,700,742)	(69,700,742)
Other comprehensive loss for the year		-	(254,819)	-	(254,819)
<b>Total comprehensive loss for the year</b>		-	(254,819)	(69,700,742)	(69,955,561)
<b>Transaction with shareholders</b>					
Collection of subscriptions receivable	14	2,066,667	-	-	2,066,667
<b>Balances as at December 31, 2019</b>		156,000,050	(317,051)	(239,713,091)	(84,030,092)

The notes on pages 1 to 33 are integral part of these financial statements.

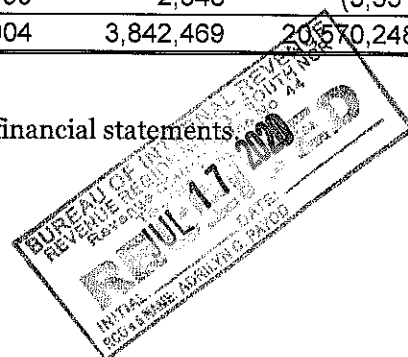


**Manila House Private Club, Inc.**

Statements of Cash Flows  
For each of the three years in the period ended December 31, 2019  
(All amounts in Philippine Peso)

	Notes	2019	2018 (As restated)	2017 (As restated)
<b>Cash flows from operating activities</b>				
Loss before income tax		(61,573,342)	(64,867,675)	(84,246,388)
Adjustments for:				
Depreciation and amortization	6,7	62,560,535	57,178,219	52,257,700
Interest expense	7	15,937,855	17,250,924	18,379,800
Provision for doubtful accounts	3	905,125	105,477	-
Retirement benefit expense	13	948,623	891,336	-
Unrealized foreign exchange (gain) loss, net		(9,799)	(2,548)	3,551
Interest income	2	(18,288)	(7,077)	(105,985)
Interest income on security deposits	9	(172,580)	(284,960)	(249,596)
Operating income before working capital changes		18,578,129	10,263,696	(13,960,918)
Changes in working capital:				
Trade and other payables		12,330,220	299,099	11,281,704
Deferred income		10,302,703	18,397,996	88,545,912
Trade and other receivables		(459,563)	175,166	(9,209,275)
Inventories		(396,873)	(75,180)	(1,746,629)
Other noncurrent assets		-	(514,681)	(9,369,031)
Prepayments and other current assets		(733,376)	1,433,067	13,547,388
Cash generated from operations		39,621,240	29,979,163	79,089,151
Interest received from bank deposits	2	18,288	7,077	105,985
Net cash provided by operating activities		39,639,528	29,986,240	79,195,136
<b>Cash flows from investing activities</b>				
Payments for property and equipment	6	(11,218,779)	(7,752,452)	(41,728,926)
<b>Cash flows from financing activities</b>				
Advances from shareholders	12	2,513,286	(142,478)	(32,892,575)
Collection of subscription receivable		2,066,667	233,333	7,700,020
Payments of lease liabilities		(20,813,798)	(21,804,046)	(18,429,321)
Interest paid		(9,544,268)	(17,250,924)	(18,379,800)
Net cash used in financing activities		(25,778,113)	(38,964,115)	(62,001,676)
<b>Net increase (decrease) in cash for the year</b>		2,642,636	(16,730,327)	(24,535,466)
<b>Cash as at January 1</b>		3,842,469	20,570,248	45,109,265
Effect of exchange rate changes on cash		9,799	2,548	(3,551)
<b>Cash as at December 31</b>	2	6,494,904	3,842,469	20,570,248

The notes on pages 1 to 33 are integral part of these financial statements.



## **Manila House Private Club, Inc.**

### Notes to the Financial Statements

As at December 31, 2019 and 2018

and for each of the three years in the period ended December 31, 2019

(In the Notes, all amounts are shown in Philippine Peso unless otherwise stated)

#### **Note 1 - General information**

Manila House Private Club, Inc. (the "Club") was registered with Securities and Exchange Commission (SEC) on March 15, 2016, primarily to engage in the business of owning, operating and maintaining an exclusive restaurant which provides areas, facilities and services for dining, meeting, social, recreation, entertainment and similar activities for the use of the Club and other persons who may be granted the right to use or otherwise allowed by the Club.

The registered office of the Club, which is also its principal place of business, is located at Seven/NEO, 5th Avenue, Bonifacio Global City, Taguig City.

The Club has 111 regular employees as at December 31, 2019 (2018 - 126).

The Club has five (5) shareholders owning one hundred (100) or more common shares as at December 31, 2019 and December 31, 2018.

On October 20, 2017, the SEC granted the Club permit to sell or offer preferred shares and membership certificates for sale to the public. The Club may sell or offer for sale to the public preferred shares and membership certificates subject to full compliance with the provisions of the Securities Regulation Code.

The Club has incurred a total comprehensive loss of P69,955,561 as at December 31, 2019 which resulted in accumulated deficit of P239,713,091 and a capital deficiency of P84,030,092. The Club's current liabilities has also exceeded its current assets by P94,535,500. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Club's ability to continue as a going concern. The financial statements do not include adjustments that might result from the outcome of this uncertainty. The Club plans to address such uncertainty through increasing revenue by driving sales in both banquets and restaurants, and continuing to sell membership certificates to maximize the Club's revenue potential. The Club also plans to amend its prospectus to increase the benefits of the members as well as the inclusion of the Spousal Courtesy Program and to offer Business Bundles which is expected to maximize the patronage of the Club. The Club has increased capacity from its ability to utilize the adjacent garden for events and functions. Also, to enable the Club to operate on a going concern basis, the Club's common shareholders commit to continue providing funds, by way of capital infusion, to enable the Club to meet its obligations.

These financial statements have been approved and authorized for issuance on July 14, 2020 by Mr. Jose L. Arcilla, President, as authorized by the Club's Board of Directors.

#### **Note 2 - Cash**

Cash as at December 31, 2019 and 2018 consists of:

	2019	2018
Cash in banks	6,119,116	3,490,738
Cash on hand	375,788	351,731
	6,494,904	3,842,469

Cash in banks earn interest at the prevailing bank deposit rate. Interest income earned from these deposits for the year ended December 31, 2019 amounted to P18,288 (2018 - P7,077).

**Note 3 - Trade and other receivables**

Trade and other receivables as at December 31, 2019 and 2018 consist of:

	2019	2018
Trade receivables	10,951,441	9,764,414
Advances to employees	690,159	575,709
Other receivables	125,786	967,700
	11,767,386	11,307,823
Less: Allowance for doubtful accounts	(1,010,602)	(105,477)
	10,756,784	11,202,346

Movements in allowance for doubtful accounts for trade receivables and advances to employees follow:

	Note	2019	2018
Beginning of period		105,477	-
Provision during the year	19	905,125	105,477
End of period		1,010,602	105,477

Advances to employees pertain to employee advances which are subject to liquidation or collectible through salary deduction.

Other receivables pertain to commissions from various consignors.

These receivables are collectible in cash within 30 day-normal collection period, unsecured, non-interest bearing and with no guarantee.

**Note 4 - Inventories**

Inventories, at cost, as at December 31, 2019 and 2018 consist of:

	2019	2018
Food and beverages	2,332,863	2,281,987
Retail stocks	1,828,130	1,657,392
Operating supplies and others	175,259	-
	4,336,252	3,939,379

The carrying amount of total inventories as at December 31, 2019 and 2018 approximates its net realizable value. The cost of inventories recognized as direct expenses for the year ended December 31, 2019 amounted to P43,810,817 (2018 - P56,486,310 ).

**Note 5 - Prepayments and other current assets**

Prepayments and other current assets as at December 31, 2019 and 2018 consist of:

	2019	2018
Creditable withholding tax	2,241,897	1,187,446
Advances to suppliers	881,892	463,679
Prepaid supplies	275,053	185,579
Operating equipment	-	761,762
Current portion of security deposits	-	45,000
Others	-	22,000
	3,398,842	2,665,466

Operating equipment includes items purchased related to operations such as chinaware and glassware which are expected to be used and expensed in the succeeding period.

Advances to suppliers relate to downpayments for future purchases and services.

Prepaid supplies consist of several prepayment items such as office supplies, cleaning supplies, kitchenware, uniforms and linen and curtains which the Club has paid in cash and are expected to be used and expensed in the succeeding period.

### **Note 6 - Property and equipment, net**

Details of property and equipment and their movements are as follows:

	Furniture, fixtures and equipment	Transportation equipment	Site improvement	Construction in progress	Total
<b>Cost</b>					
January 1, 2019	56,613,728	726,000	73,460,391	-	130,800,119
Acquisitions	6,808,511	-	236,663	-	7,045,174
December 31, 2019	63,422,239	726,000	73,697,054	-	137,845,293
<b>Accumulated depreciation and amortization</b>					
January 1, 2019	(31,027,004)	(280,720)	(16,713,884)	-	(48,021,608)
Depreciation and amortization for the year	(13,169,479)	(116,160)	(14,421,011)	-	(27,706,650)
December 31, 2019	(44,196,483)	(396,880)	(31,134,895)	-	(75,728,258)
Net book values at December 31, 2019	19,225,756	329,120	42,562,159	-	62,117,035
<b>Cost</b>					
January 1, 2018	50,610,278	726,000	66,974,458	4,521,618	122,832,354
Acquisitions	6,003,450	-	1,964,315	-	7,967,765
Transfer	-	-	4,521,618	(4,521,618)	-
December 31, 2018	56,613,728	726,000	73,460,391	-	130,800,119
<b>Accumulated depreciation and amortization</b>					
January 1, 2018	(16,608,315)	(164,560)	(8,868,469)	-	(25,641,344)
Depreciation and amortization for the year	(14,418,689)	(116,160)	(7,845,415)	-	(22,380,264)
December 31, 2018	(31,027,004)	(280,720)	(16,713,884)	-	(48,021,608)
Net book values at December 31, 2018	25,586,724	445,280	56,746,507	-	82,778,511

As of December 31, 2019, the Club has unpaid property and equipment additions amounting to P6,004,976 (2018 - P10,178,681). These were included under trade and other payables.

The depreciation of property and equipment for the years ended December 31 was allocated as follows:

	Note	2019	2018	2017
Cost of sales and services		24,262,785	16,206,766	16,409,132
Operating expenses	19	3,443,865	6,173,498	1,426,881
		27,706,650	22,380,264	17,836,013

As at December 31, 2019 and 2018, management believes that property and equipment are not impaired.

### **Note 7 - Right-of-use assets and finance lease liabilities**

On March 21, 2016, the Club entered into a non-cancellable lease agreement with 20-34 Property Holdings, Inc. (Lessor), for the lease of its separate office and storage spaces to be utilized for the construction of its restaurant. The term of the lease is for a period of ten (10) years and five (5) years, respectively, starting from September 16, 2016 with escalation in rental fee of 5% each year. Both spaces are renewable on the fifth (5th) year subject to mutual agreement between the Club and the Lessor. Under the terms of the covering lease agreements, the Club is required to make three (3) months security deposits amounting to P8,881,434. These security deposits are presented at its amortized cost. The carrying amount of these security deposits as of December 31, 2019 is P6,447,128 (2018 - P6,148,319) (Note 9).



On July 17, 2017, the agreement was amended to change the commencement date to October 16, 2016, lease area and monthly rates for its office and storage lease. The amendment also included two (2) additional lease for storage area which started on January 15, 2017 and March 22, 2017, respectively.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

(i) Amounts recognized in the statements of financial position

Leased assets are presented as a separate line item in the statement of financial position. The statements of financial position show the following amounts relating to leases:

	Club premises	Storage areas	Total
<b>Cost</b>			
January 1, 2018	331,608,247	8,868,776	340,477,023
Additions	-	-	-
December 31, 2018	331,608,247	8,868,776	340,477,023
Additions	-	-	-
December 31, 2019	331,608,247	8,868,776	340,477,023
<b>Accumulated depreciation</b>			
January 1, 2018	(39,997,292)	(1,868,934)	(41,866,226)
Depreciation	(33,246,464)	(1,551,491)	(34,797,955)
December 31, 2018	(73,243,756)	(3,420,425)	(76,664,181)
Depreciation	(33,246,464)	(1,607,421)	(34,853,885)
December 31, 2019	(106,490,220)	(5,027,846)	(111,518,066)
<b>Net book values</b>			
December 31, 2018	258,364,491	5,448,351	263,812,842
December 31, 2019	225,118,027	3,840,930	228,958,957

The Club's payments relative to its leases for the year ended December 31, 2019 amounted to P30,358,066 (2018 - P39,054,970). The payments were allocated between the principal amount of lease liabilities and interest expense. Movements in the lease liabilities for the years ended December 31 follow:

	December 31, 2019	December 31, 2018	January 1, 2018
<b>Lease liabilities</b>			
As at January 1	293,692,869	315,496,915	330,561,904
Additions	-	-	3,364,332
Principal payments	(20,813,798)	(21,804,046)	(18,429,321)
Interest payments	(9,544,268)	(17,250,924)	(18,379,800)
Interest expense	15,937,855	17,250,924	18,379,800
As at December 31	279,272,658	293,692,869	315,496,915
<b>Lease liabilities</b>			
Current	39,241,428	25,059,185	21,804,046
Non-current	240,031,230	268,633,684	293,692,869
	279,272,658	293,692,869	315,496,915

(ii) Amounts recognized in the statements of total comprehensive income

The statements of total comprehensive income for the years ended December 31 show the following amounts relating to leases:

	2019	2018	2017
Depreciation expense			
Club premises	33,246,464	33,246,464	33,246,464
Storage areas	1,607,421	1,551,491	1,510,800
	34,853,885	34,797,955	34,757,264
Interest expense	15,937,855	17,250,924	18,379,800

The depreciation of right of use asset for the years ended December 31 was allocated as follows:

	Note	2019	2018	2017
Cost of sales and services		32,065,574	32,014,119	32,003,529
Operating expenses	19	2,788,311	2,783,836	2,753,735
		34,853,885	34,797,955	34,757,264

(iii) Discount rate

The lease payments are discounted using the Club's incremental borrowing rate, being the rate that the Club 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. The discount rate for various lease liabilities is at 5.64% as at date of initial adoption.

To determine the incremental borrowing rate, the Club 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. Where third party financing cannot be obtained, the Club uses the government bond yield, adjusted for the credit spread specific to each entity under the Club and security using the right-of-use asset.

(iv) Extension and termination options

The extension and termination options are not included in the lease term of the Club premises and storage areas. These options are exercisable only upon mutual agreement of the Company and the lessor. However, extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or terminated). Lease payments to be made under reasonably certain extension options are included in the measurement of lease liability.

(v) Reconciliation of operating lease commitments and lease liabilities

In 2018, the Club did not recognize lease assets and liabilities under PAS 17, Leases since all leases were classified as operating lease. The reconciliation between the operating lease commitments disclosed in applying PAS 17 at December 31, 2018 discounted using the Club's incremental borrowing rate and the lease liability recognized as at January 1, 2019 is as follows:

	Amount
Operating lease commitments, December 31, 2018	367,909,031
Less: Discounting effect using weighted average incremental borrowing rate of 5.64%	(74,216,162)
Lease liabilities, January 1, 2019	293,692,869

The Club (as lessee) has various lease agreements for Club's premises and storage areas that are renewable under certain terms and conditions.

The future minimum lease payments under non-cancellable operating leases as at December 31, 2018, prior to restatement, are as follows:

	2018	2017
Within one (1) year	41,003,921	37,789,341
After one (1) year but not more than five (5) years	231,071,758	151,597,654
Over five years	95,833,352	245,707,648
	367,909,031	435,094,643

### **Note 8 - Income taxes**

The income tax benefit (expense) for the years ended December 31 represents deferred income tax that are determined using net income tax rates in the period the temporary differences are expected to be recovered or settled.

The details of temporary differences for which DIT assets and liabilities were recognized as at December 31 are as follows:

	2019	2018
		As restated
Deferred income tax assets		
To be recovered within 12 months:		
Unrealized foreign exchange loss	2,940	-
Accrued other employee incentives	-	107,407
Allowance for doubtful accounts	-	31,643
To be recovered beyond 12 months:		
Deferred membership income	20,656,408	31,497,229
PFRS 16 lease accounting	12,909,150	9,970,740
Retirement benefit obligation charged to OCI	-	26,671
	33,568,498	41,633,690
Deferred income tax liabilities		
To be settled within 12 months		
Accrued interest income on accretion	(276,441)	(186,798)
Unrealized foreign exchange gain	-	(764)
	(276,441)	(187,562)
	33,292,057	41,446,128

Management believes that future taxable profit will not be available for the above temporary differences. Details of unrecognized deferred income tax assets as at December 31, 2019 are as follows:

	Amount
Unrecognized NOLCO	25,677,679
Deferred membership income for the next two (2) years	10,880,691
Allowance for doubtful accounts	303,181
Accrued other employee incentives	112,152
Retirement benefit obligation charged to OCI	76,446
	37,050,149

The movements in DIT assets and liabilities for the years ended December 31 are as follows:

	2019	2018
January 1	41,446,128	33,829,556
Restatement due to adoption of PFRS 16	-	2,730,559
Charged to profit or loss	(8,127,400)	4,859,342
Charged to other comprehensive income	(26,671)	26,671
December 31	33,292,057	41,446,128

Realization of future tax benefits related to the DIT assets is dependent on many factors, including the Club's ability to generate taxable income in the future. As at December 31, 2019 and 2018, the Club recognized its DIT assets to the extent that management assessed that it is probable that there will be sufficient future taxable profits to which the future deductible amounts can be applied.

NOLCO can be carried over as a deduction from gross taxable income for the next three (3) succeeding taxable years immediately following the year of such loss.

DIT assets are recognized for unused tax losses (NOLCO) to the extent that the realization of the related tax benefit through the future taxable profits is probable. DIT asset related to NOLCO was not recognized.

Details of the NOLCO as at December 31 are as follows:

Year of incurrence	Year of expiration	December 31, 2019	December 31, 2018
2016	2019	13,081,900	13,081,900
2018	2021	32,890,708	32,890,708
2019	2022	85,592,264	-
		131,564,872	45,972,608
Derecognized		(45,972,608)	-
Applied		-	-
		85,592,264	45,972,608
Tax rate		30%	30%
		25,677,679	13,791,782

The reconciliation of income tax benefit computed at the statutory tax rate to actual benefit shown in the statement of total comprehensive income is presented below:

	2019	2018
Income tax benefit at statutory rate of 30%	18,472,003	19,460,302
Income tax effect of:		
Interest income subject to final tax	5,486	2,123
Derecognized NOLCO	-	(3,924,570)
Non-deductible entertainment and representation expense	(27,210)	-
Non-deductible expenses	(900,000)	(1,326,855)
Unrecognized NOLCO	(25,677,679)	(9,351,658)
	(8,127,400)	4,859,342

#### **Note 9 - Other non-current assets**

Other non-current assets as at December 31, 2019 and December 31, 2018 consist of:

	Note	2019	2018
Advance rental		9,030,343	9,030,343
Security deposits	7	6,447,128	6,148,319
Utilities and water deposits		1,561,531	1,561,531
Others		302,207	428,436
		17,341,209	17,168,629

Advance rental pertains to advance payment of rent as required under the terms of the covering lease contract which shall be applied to the three-month period commencing on July 16, 2021 and ending October 15, 2021.

Security, utilities and water deposits, as required under the terms of the covering lease contract, pertains to the rental deposit refundable at the end of the lease term. The Club has applied the applicable discount rate to present it at net present value.

Total discount is amortized using the effective interest rate method over the lease term while the corresponding deferred rent expense was capitalized as part of right of use asset being depreciated using straight-line method.

As at December 31, 2019, interest income recognized as a result of discounting the security deposits using effective interest rate method amounted to P172,580 (2018 - P284,960).

**Note 10 - Agreements**

The Club has a consultancy agreement with a third party for the latter's provision of advisory services to the Club in five (5) key areas: (a) concept development and planning, (b) pre-opening technical assistance in support of the project team, (c) pre-opening management, (d) membership sales and marketing and (e) post-opening operational management. The Club will pay consultancy fee equivalent to 2.75% of the gross revenue of the Club plus 8% of the gross operating profit.

In 2018, the Club recognized P8,568,364 of consultancy fees. On December 3, 2019, due to inability to perform its obligations to the Club, the contract has been terminated and the outstanding balances amounting to P4,437,721 for 2019 and P5,069,877 from prior years were reversed and derecognized, respectively. These amounts were reversed during the year as a result of the termination. The reversal of the outstanding balances from the previous years was treated as other income (Note 20).

**Note 11 - Trade and other payables**

Trade and other payables as at December 31, 2019 and 2018 consist of:

	Note	2019	2018
Trade payables		27,026,140	22,080,112
Accrued interest payable - leases		6,393,587	-
Salaries and other benefits		2,414,893	1,776,897
Consignor payable		1,187,177	1,211,381
Retention payable		1,172,382	1,172,382
Output VAT, net of input VAT		2,136,078	770,878
Payable to government agencies		774,284	465,336
Accrued rent		49,772	49,772
Accrued management fees	10	-	6,548,726
Others		6,399,174	4,321,621
		<b>47,553,487</b>	<b>38,397,105</b>

Trade, accruals and other payables are non-interest bearing and are generally on a 30 to 60 day term. Retention payable pertains to the amount withheld by the Club from the project contractors related to its construction in progress which is equivalent to 10% of every progress billing to be released upon fulfillment of the terms and conditions in the contract.

Consignor payable pertains to receipts from sale of consigned goods which are yet to be remitted to the consignors.

**Note 12 - Related party transactions**

In the normal course of business, the Club transacts with companies which are considered related parties under PAS 24, *Related Party Disclosures*.

The table below summarizes the Club's balances and transactions with related parties for the periods ended December 31, 2019 and 2018 as follows:

	2019		2018		Terms and conditions
	Transactions	Outstanding payable	Transactions	Outstanding payable	
Shareholders					
Advances from shareholders	7,288,216	4,900,751	142,478	2,387,465	Balances are payable in cash on demand, unsecured and non-interest bearing.
Key management personnel					
Short-term employee benefits	5,622,222	-	5,622,222	-	Based on employee contracts payable every designated pay period.

As of December 31, 2019 and 2018, there are no outstanding advances to and from key management personnel. There are no other benefits received by key management personnel in 2019 and 2018.

**Note 13 - Retirement benefit**

The Club does not have an established retirement plan and only conforms to the minimum regulatory benefit under the Retirement Pay Law (Republic Act No. 7641) which is of the final salary defined benefit type and provides retirement benefit equal to 23.5 days pay for every year of credit service for employees who attain the normal retirement age of 60 with at least five (5) years of service. The regulatory benefit is paid in a lump sum upon retirement. The most recent actuarial valuation of the Club's retirement plan was performed by an independent actuary at December 31, 2019.

The retirement obligation is determined using the "Projected Unit Credit" (PUC) method. Under the PUC method, the annual normal cost for the portion of the retirement is determined as the amount necessary to provide for the portion of the retirement benefit accruing during the year.

The following are the details of the Club's retirement account balance as at and for the years ended December 31:

	2019	2018
Retirement benefit obligation	2,094,778	891,336
Retirement benefit expense recognized in profit or loss	948,623	802,433
Remeasurement loss recognized in other comprehensive income	254,819	88,903

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

	2019	2018
January 1	891,336	-
Current service cost	948,623	802,433
Remeasurement loss on experience adjustment	254,819	88,903
December 31	2,094,778	891,336

Movements in other reserves, net of deferred tax, charged in equity are as follows:

	2019	2018
January 1	88,903	-
Remeasurement loss on experience adjustment	254,819	88,903
Tax effect	(26,671)	(26,671)
December 31	317,051	62,232

The principal actuarial assumptions used for the years ended December 31 are as follows:

	2019	2018
Discount rate	5.54%	7.70%
Salary increase rate	3.00%	3.00%
Average future working years of service	27.70	28.70

As at December 31, 2019 and December 31, 2018, the weighted average duration of the retirement benefit obligation are 18.4 years and 17.8, respectively. While the expected undiscounted maturity benefit payments between 1-10 years is P3,434,830 and P3,066,100 as at December 31, 2019 and December 31, 2018, respectively.

#### **Note 14 - Share capital**

Details and movements of the Club's share capital as at and for the seven-month period ended December, 2019 and 2018 are as follows:

	2019		2018	
	Shares	Amount	Shares	Amount
Preferred shares				
Authorized at P100,000 per share	2,000	200,000,000	2,000	200,000,000
Subscribed	1,550	155,000,000	1,550	155,000,000
Subscription receivable		-		(2,066,667)
Issued and outstanding		155,000,000		152,933,333
Common shares				
Authorized at P10 per share	200,000	2,000,000	200,000	2,000,000
Issued and outstanding	100,005	1,000,050	100,005	1,000,050
		1,000,050		1,000,050
		156,000,050		153,933,383

Out of the total authorized preferred shares of 2,000, the SEC granted the Club license to offer or sell to the public 1,500 shares at the offer price of P100,000 per share. Refer to Note 23.13.1 for features of preferred shares and common shares.

#### **Note 15 - Deferred income**

On October 20, 2017, the SEC granted the Club permit to sell or offer preferred shares (Note 14) and membership certificates for sale to the public. Membership to the Club entitles a person an exclusive right to access the Club's facilities and services. The issue price of each membership certificate depends on the type of membership as follows:

##### *(a) Founding Membership*

A member who becomes part of the first six hundred (600) members of the Club. Each membership certificate costs P150,000 to P200,000 up to April 2018 and P250,000 from May 2018 and is transferrable after the lock up period.

*(b) Regular Membership*

A member who was admitted after the Club has chosen the first six hundred (600) Founding Members. Each membership certificate costs P150,000 up to April 2018 and P200,000 from May 2018 and is transferrable after the lock up period.

*(c) Associate Membership*

A member who has the same qualifications and privileges as Regular Members except that the certificates of membership are non-transferable. Each membership certificate costs P100,000 up to April 2018 and P150,000 from May 2018.

*(d) Junior Membership*

A member who has the same qualifications and privileges as Regular Members except that the certificates of membership are non-transferable and the member must be under thirty (30) years of age upon submission of application for membership to the Club. Each membership certificate costs P50,000.

A lock up period of five (5) years from subscription among holders of Founding and Regular Membership certificates prohibits the selling, assigning, or transferring of the certificates to any third party.

The details of Club's membership certificates as at December 31 consist of:

	Authorized		Certificate sold	Total amount
	Shares	Total amount		
<i>As at December 31, 2019</i>				
Founding Membership Certificates	600	120,000,000	581	105,450,000
Regular Membership Certificates	1,000	150,000,000	116	19,782,143
Associate Membership Certificates	600	60,000,000	120	14,032,143
Junior Membership Certificates	600	30,000,000	158	7,900,000
<b>Total</b>	<b>2,800</b>	<b>360,000,000</b>	<b>975</b>	<b>147,164,286</b>
<i>As at December 31, 2018</i>				
Founding Membership Certificates	600	120,000,000	543	96,250,000
Regular Membership Certificates	1,000	150,000,000	77	12,100,000
Associate Membership Certificates	600	60,000,000	93	9,950,000
Junior Membership Certificates	600	30,000,000	126	6,300,000
<b>Total</b>	<b>2,800</b>	<b>360,000,000</b>	<b>839</b>	<b>124,600,000</b>

Proceeds from sale of membership certificates are recognized as revenue over the shorter of average life expectancy of member and lease term (Note 16).

Movement of deferred membership fees for the years ended December 31 are as follows:

	2019	2018
Beginning	104,990,765	88,545,912
Membership certificates sold	21,614,285	27,600,000
Less: Amortization during the year	(21,481,390)	(11,705,147)
<b>Total</b>	<b>105,123,660</b>	<b>104,990,765</b>
Less: Current portion	(16,045,818)	(14,030,040)
<b>Non-current portion</b>	<b>89,077,842</b>	<b>90,960,725</b>

The balance of the current portion of deferred income as at December 31, 2019 reported in the statement of financial position includes advance payments and deferred dues and income amounting to P2,507,147 and P9,273,651, respectively (2018 - P2,042,500 and P594,928, respectively).



**Note 16 - Net revenues**

The components of net revenues for the years ended December 31 follow:

	Note	2019	2018
Sale of food and beverage		123,187,604	133,754,524
Less: Discounts		(5,756,934)	(4,581,707)
Net sales		117,430,670	129,172,817
Membership and others:			
Amortization of deferred income	15	21,481,390	11,705,147
Membership dues		25,523,430	25,844,098
Rentals and other income		3,059,784	3,208,520
Sale of goods		6,107,386	7,244,538
Net sales and services		173,602,660	177,175,120

Sale of goods were from retail sales.

Rental and other income were derived from use of banquet space, ingress fee, cancellation fees and other income associated with banquet events.

**Note 17 - Payroll and related expenses**

The components of payroll and related expenses presented under cost of sales and services in the statements of total comprehensive income for the years ended December 31 follow:

	2019	2018
Salaries and wages	21,018,845	26,588,464
Employee benefits	4,036,588	6,627,947
	25,055,433	33,216,411

**Note 18 - Other expenses**

The components of other expenses presented under cost of sales and services for the years ended December 31 follow:

	2019	2018
Contract services	5,814,187	1,011,783
Operating and office supplies	2,787,249	3,943,191
Laundry services	1,931,530	790,735
Music and entertainment	1,305,000	695,821
Operating equipment	1,471,088	4,571,917
Housekeeping	981,306	1,134,862
Professional fees	280,077	1,143,067
Uniforms	211,753	567,604
Transportation	138,263	24,504
Representation and entertainment	121,152	815,272
Utensils	1,807	67,375
Others	1,946,148	685,050
	16,989,560	15,451,181

Others include cost of decorations, complimentary guest gifts and research and development for food menu.

### **Note 19 - Operating expenses**

The components of operating expenses for the years ended December 31 follow:

	Notes	2019	2018
Payroll and related expenses		26,204,469	15,251,670
Taxes and licenses		7,476,651	2,143,049
Utilities		6,825,985	4,997,841
Depreciation and amortization	6,7	6,232,176	8,957,334
Representation expenses		4,964,598	1,202,803
Common area maintenance		4,388,063	4,607,270
Professional fees		3,864,048	9,280,644
Outside services		3,134,499	2,353,649
Repairs and maintenance		2,861,908	3,628,321
Bank charges		2,918,494	27,442
Supplies		2,510,261	2,210,336
Commissions, net of tax		1,283,612	2,893,259
Advertising and promotion		928,131	790,833
Provision for doubtful accounts	3	905,125	105,477
Transportation		866,026	697,864
Trainings		614,270	543,487
Information systems		589,870	584,576
Insurance		295,626	224,236
Management fees	10		8,568,364
Other expenses		4,004,411	3,060,912
		80,868,223	72,129,367

Other expenses pertain to employee meals and internship allowances during the year.

### **Note 20 - Other income, net**

The components of other income for the years ended December 31 follow:

	2019	2018
Miscellaneous income, net	3,613,578	408,136
Interest income	190,868	292,037
Foreign exchange gain	9,799	12,110
	3,814,245	712,283

Miscellaneous income, net includes income from condonation of accrued management fees in 2019 amounting to P5,069,877 (2018 - nil).

### **Note 21 - Financial risk and capital management**

#### **21.1 Financial risk factors**

The Club's activities expose it to a variety of financial risks: market risks (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Club's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Club's financial performance.

### 21.1.1 Market risks

#### (a) *Foreign exchange risk*

Currency risk arises when future commercial transactions, and recognized assets and liabilities are denominated in a currency that is not the Club's functional currency. In the normal course of business, the Club transacts with certain companies based outside the Philippines, with these transactions being settled in US Dollar. Such transactions are very minimal and does not expose the Club to foreign exchange risk.

#### (b) *Cash flow and fair value interest rate risk*

This risk affects future cash flows as a result of changes in market interest rates. The Club's exposure to the risk of changes in interest rates is minimal since it only relates to interest on cash deposits.

### 21.1.2 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Club. Credit risk arises from the financial assets of the Club, which comprise of cash in bank, trade and other receivables (excluding advances to employees) and refundable deposits.

The maximum exposure to credit risk for the components of the statements of financial position approximates their carrying values as at December 31, 2019 and 2018. The table below summarizes the credit quality of the Club's financial assets as at December 31, 2019 and 2018:

	Notes	Neither past due nor impaired	Past due but not impaired	Impaired	Total
<b>2019</b>					
Cash in bank	2	6,119,116	-	-	6,119,116
Trade and other receivables*	3	4,030,336	6,036,289	1,010,602	11,077,227
Refundable deposits	5,9	6,554,939	-	-	6,554,939
		16,704,391	6,036,289	1,010,602	23,751,282
<b>2018</b>					
Cash in bank	2	3,490,738	-	-	3,490,738
Trade and other receivables*	3	214,599	10,517,515	-	10,732,114
Refundable deposits	5,9	6,554,939	-	-	6,554,939
		10,260,276	10,517,515	-	20,777,791

\*excluding advances to employees

#### (a) *Cash*

The Club deposits its cash in bank in commercial banks as defined by Philippine Banking System and are approved by Board of Directors to minimize credit risk exposure.

#### (b) *Trade and other receivables*

The Club has no significant concentrations of credit risk due to various customers comprising its portfolio and it has policies in place to ensure that the sale of goods and services is made only to customers with an appropriate credit history. The credit quality of receivables is evaluated both on the basis of the aging of the receivables as well as on the basis of individual case by case customer analysis in order to identify customers with a potential higher credit risk due to individual customer specific reasons. The impairment loss allowance for receivables is recognised on the basis of this credit quality evaluation and using the expected loss credit model. Nonetheless, the Club is still exposed to risk of non-collection arising from disputes and disagreements on billings, which may deter the collection of outstanding accounts on a timely basis.

The Club applies PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. There is no concentration of credit risk with respect to trade and other receivables since the Club has various counterparties involved.

The loss allowance as at December 31 was determined as follows:

	Stage 1 - Performing	Stage 2 - Underperforming	Stage 3 - Non-performing	Total
<b>2019</b>				
Expected loss rate	0.00%	0.00%	100.00%	
Trade receivables	7,853,938	2,086,901	1,010,602	10,951,441
Advances to employees	690,159	-	-	690,159
Other receivables	125,786	-	-	125,786
<b>Loss allowance</b>	<b>8,669,883</b>	<b>2,086,901</b>	<b>1,010,602</b>	<b>11,767,386</b>
<b>2018</b>				
Expected loss rate	0.00%	0.00%	100.00%	
Trade receivables	7,700,304	1,958,633	105,477	9,764,414
Advances to employees	575,709	-	-	575,709
Other receivables	967,700	-	-	967,700
<b>Loss allowance</b>	<b>9,243,813</b>	<b>1,958,633</b>	<b>105,477</b>	<b>11,307,823</b>

### (c) Refundable deposits

Credit exposure on refundable deposits arises from the Club's existing non-cancellable lease agreements and utility providers.

As at December 31, 2019 and December 31, 2018, management does not expect any counterparty to default in its payment obligations to the Club considering that the lessors and utility providers are creditworthy and in good financial standing.

### 21.1.3 Liquidity risk

Liquidity risk arises from the possibility that the Club may encounter difficulties in raising funds to meet commitments from financial instruments or that a market for derivatives may not exist in some circumstance.

The Club monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Club maintains a level of cash deemed sufficient to finance operations and to mitigate the effects of fluctuation in cash flows by monitoring on a monthly basis the expected cash inflows and outflows. Management believes there will be adequate financial asset to meet maturing financial obligations and readiness of related parties to extend financial assistance through advances, if necessary; hence, there is no significant liquidity risk.

The Club's financial liabilities mature within the next 30 to 60 days from reporting date. The amounts disclosed in the table are contractual undiscounted cash flows, as the impact of discounting is not significant.

	Notes	December 31, 2019	December 31, 2018
Trade and other payables*	11	44,643,126	37,160,891
Advances from shareholders	12	4,900,751	2,387,465
Lease liabilities	7	279,272,658	293,692,869
		<b>328,816,535</b>	<b>350,890,876</b>

\*excluding payable to government agencies and output VAT

## 21.2 Capital management

Management's primary objective as regards capital is to ensure that the Club continues as a going concern, as well as to maintain optimal returns through dividend declarations. Capital consists of share capital and deficit as shown in the statement of financial position. There are no external restrictions imposed by third parties on the Club's capital nor it is subjected to minimum statutory requirements as at December 31, 2019 and 2018.

There were no changes made in the capital management policies as at December 31, 2019 and 2018.

## 21.3 Financial instrument by category

The accounting policies for financial instruments have been applied to the line items below:

	Notes	2019	2018
<b>Financial assets</b>			
Cash	2	6,494,904	3,842,469
Trade and other receivables*	3	11,077,227	10,732,114
Security deposits	5, 9	6,554,939	6,554,939
		24,127,070	21,129,522
<b>Financial liabilities</b>			
Trade and other payables**	11	44,643,126	54,810,542
Advances from shareholders	12	4,900,751	2,387,465
Lease liabilities	7	279,272,658	293,692,869
		328,816,535	350,890,876

\*excluding advances to employees

\*\*excluding payable to regulatory agencies and output VAT

An analysis of net debt and the movements in net debt are as follows:

	2019	2018
Cash in bank	6,119,116	3,842,469
Advances from shareholders	(4,900,751)	(2,387,465)
<b>Net debt</b>	<b>1,218,365</b>	<b>1,455,004</b>

Movements in the Club's net debt for the year ended December 31 are as follows:

	Cash	Advances from shareholders	Total
Net debt as at January 1, 2018	20,570,248	(3,214,228)	17,356,020
Cash flows	(16,730,327)	826,763	(15,903,564)
Foreign exchange adjustments	2,548	-	2,548
Net debt as at December 31, 2018	3,842,469	(2,387,465)	1,455,004
Cash flows	2,266,848	(2,513,286)	(246,438)
Foreign exchange adjustments	9,799	-	9,799
<b>Net debt as at December 31, 2019</b>	<b>6,119,116</b>	<b>(4,900,751)</b>	<b>1,218,365</b>

Advances from shareholders are peso-denominated and non-interest bearing (Note 12).

## 21.4 Fair value measurement

The carrying values of cash, trade and other receivables (excluding advances to employees), rental deposits and trade and other payables (excluding payable to government agencies and output VAT) are assumed to approximate their fair values due to the liquidity, short maturity and nature of such items.

As at December 31, 2019 and 2018, the Club does not have financial assets and liabilities that are measured at fair value.

## **Note 22 - Critical accounting estimates, assumptions and judgments**

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 and assumptions 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 in the succeeding paragraphs.

### **22.1 Critical accounting estimates and assumptions**

#### *(a) Determining useful lives of property and equipment*

The Club's management determines the estimated useful lives and related depreciation and amortization charges for its property and equipment. This estimate is based on the expected future economic benefit to the Club. Management will increase the depreciation and amortization charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete assets that have been abandoned or sold. Management does not foresee any changes in terms of business operations and condition of relevant items of property and equipment that would warrant reassessment of estimated useful lives. The information on estimated useful lives of the Club's property and equipment are disclosed in Note 23.7. The carrying amounts of property and equipment are shown in Note 6.

#### *(b) Estimation of retirement benefit obligation*

The determination of the obligation and retirement costs is dependent on the selection of certain assumptions by management used by the actuary in calculating such amounts. Those assumptions are described in Note 13 and include, among others, discount rates and salary increase rates. While the Club believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions materially affect retirement benefit obligation. The assumptions are reviewed at each reporting date and are adjusted as necessary to reflect the current circumstances.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumption are as follows:

	Rates		Increase (Decrease)	
	2019	2018	2019	2018
Discount rate	+1.0%	+1.0%	(415,291)	(177,562)
	-1.0%	-1.0%	326,368	140,253
Salary increase rate	+1.0%	+1.0%	420,301	184,708
	-1.0%	-1.0%	(335,165)	(147,181)

The 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 benefit obligation recognized within the statements of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

*(c) Determination of incremental borrowing rate for leases*

To determine the incremental borrowing rate, the Club 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. Where third party financing cannot be obtained, the Club uses the government bond yield, adjusted for the (1) credit spread specific to the Club and (2) security using the right-of-use asset (Note 7).

**22.2 Critical judgments in applying the Club's accounting policies**

*(a) Provision for impairment of receivables*

The allowance for impairment of receivables are based on assumptions about risk of default and expected loss rates. The Club uses estimates in making these assumptions and selecting the inputs to the impairment calculation, based on the Club's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Prior to the adoption of PFRS 9, the allowance for impairment of receivables is based on the Club's assessment of collectibility of payments from its debtors through varying schemes including specific identification. This assessment requires judgment based on available facts and circumstances regarding the ability of the debtors to pay the amounts owed to the Club such as financial condition, the length of relationship with a debtor, debtors' current credit status based on known market factors and availability of assets that may be secured as collateral, and the outcome of any disputes.

Any change in the Club's assessment of collectibility of receivables that was not previously provided for due to reassessment made as additional information is received could significantly impact the calculation of such provision and the results of operations. The amounts and timing of recorded provision for impairment of receivables for any period would differ if the Club made different assumptions or utilized different estimates.

The details of receivables are disclosed in Note 3.

*(b) Current and deferred income tax*

Significant judgment is required in determining the income tax expense. There are many transactions and calculations for which the ultimate tax determination is uncertain in the ordinary course of business.

Recognition of deferred income taxes depends on management's assessment of the probability of available future taxable income against which the temporary differences can be applied. The components of deferred income tax are shown in Note 9.

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 allow all or part of its deferred taxable assets to be utilized. Realization of future tax benefits related to the deferred income tax assets is dependent on many factors including the Club's ability to generate taxable income in the future. The Club's management believes that aside from the tax benefit relative to the next two years, remaining related future tax benefit will be realized. As at December 31, 2019, unrecognized DIT assets amounts to P37,050,149.

*(c) 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 no impairment charge is necessary as at December 31, 2019 and 2018 in the absence of any impairment indicator. The carrying amount of property and equipment as at December 31, 2019 is P62,117,035 (December 31, 2018 - P82,778,511) (Note 6).

*(d) Recognition of deferred income*

The recognition policy for membership fee is deferred and recognized as revenue over the average life expectancy of member and lease term, whichever is shorter. Any change in the Club's assessment of amortization of revenue that was not previously accounted for due to reassessment made as additional information is received could significantly impact the calculation of such amortization and the results of operations. The amounts and timing of recorded amortization of membership fee for any period would differ if the Club made different assumptions or utilized different estimates. The details of unamortized membership fee are disclosed in Note 15.

**Note 23 - Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the period presented, unless otherwise stated.

**23.1 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) and 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 SEC.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with the PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Club's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the financial statements, are disclosed in Note 24.

*(a) New standards, amendments to existing standards and interpretations adopted*

All new standards and amendments effective January 1, 2019 do not have a significant impact on the financial statements of the Club except for the following relevant ones:

- PFRS 16 replaces the guidance of PAS 17 that relate to the accounting by lessees and the recognition of almost all leases in the balance sheet. PFRS 16 removes the current distinction between operating and financing leases and requires recognition of an asset (the right-of-use asset) and a lease liability to pay rentals for virtually all lease contracts. Under PFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The changes in classification and measurement policies from full retrospective adoption of this standard have been disclosed in Note 23.16. Details of adjustments following the adoption of PFRS 16 are detailed in Note 23.18.

On adoption of PFRS 16, the Club recognized lease liabilities and right-of-use assets in relation to leases which had previously been classified as 'operating leases' under the principles of PAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate.

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position as at January 1, 2018.



In applying PFRS 16 for the first time, the Company used the following practical expedients permitted by the standard:

- i) For all contracts entered into before January 1, 2019 and that were previously identified as leases under PAS 17, Leases, and IFRIC 4, 'Determining whether an arrangement contains a Lease', the Company has not reassessed if such contracts contain leases under PFRS 16; and
  - ii) On a lease-by-lease basis, the Company has:
    - a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
    - b) relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
    - c) accounted for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;
    - d) excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
    - e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- Philippine Interpretation IFRIC 23 - Uncertainty over Income Tax Treatments (effective January 1, 2019). The interpretation explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:
    - (i) how to determine the appropriate unit of account;
    - (ii) that an entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored;
    - (iii) that an entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;
    - (iv) that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty; and
    - (v) that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

Based on the Club's assessment, the interpretation did not result to significant changes on its current recognition and measurement of deferred and current income tax assets and liabilities.

- Plan Amendment, Curtailment or Settlement - Amendments to PAS 19 Employee benefits (effective January 1, 2019). The amendments to PAS 19 clarified that if a plan amendment, curtailment or settlement occurs, the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement must be calculated using the updated assumptions from the date of the change. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Company has complied with these amendments on curtailment or settlement during the year ended December 31, 2019 (Note 13).

*(b) New standards, amendments and interpretations not yet adopted*

A number of new standards, amendments to existing standards and interpretations are effective for annual periods after January 1, 2019, and have not been applied in preparing these financial statements.

None of these standards are expected to have a significant impact on the financial statements of the Club.

### **23.2 Cash**

Cash includes cash on hand and deposits held at call with banks. These are carried in the statement of financial position at face amount or at nominal amount.

### **23.3 Financial instruments**

#### *(a) Classification*

##### **(i) Financial assets**

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

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be 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.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Club has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

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.

The Club reclassifies debt investments when and only when its business model for managing those assets changes.

The Club only holds financial assets measured at amortized cost as at December 31, 2019 and 2018.

##### **(ii) Financial liabilities**

The classification and measurement of financial liabilities under PFRS 9 remains the same as in PAS 39 except where an entity has chosen to measure a financial liability at fair value through profit or loss. For such liabilities, changes in fair value related to changes in own credit risk are presented separately in other comprehensive income. The Club did not measure its financial liabilities at fair value through profit or loss as at December 31, 2019 and December 31, 2018.

The Club classifies its financial liabilities in the following categories:

- financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that designated at fair value); and
- other financial liabilities at amortized cost.

The Club's financial liabilities are limited to other financial liabilities at amortized cost.

#### *(b) Recognition and derecognition*

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. 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.

Financial liabilities are derecognized when the obligation is discharged or is cancelled or has expired.

*(c) Measurement*

At initial recognition, the Club measures a financial asset and liability at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial instrument. Transaction costs of financial assets and liabilities carried at FVPL are expensed in profit or loss.

Subsequent measurement of debt investments depends on the Club's business model for managing the asset and the cash flow characteristics of the asset. For the Club's financial asset at amortized cost, interest income is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of total comprehensive income.

*(d) Impairment*

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

For receivables, the Club applies the simplified approach permitted by PFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. The expected loss rates are based on the payment profiles of sales over a period of 20 month before January 1, 2018 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified inflation rate to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

*(e) Offsetting*

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 recognised amounts and there is an intention to settle on a net basis or realise 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.

#### **23.4 Trade and other receivables**

The Club applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of total comprehensive income. When a receivable remains uncollectible after the Club has exerted all legal remedies, it is written-off against the allowance account for receivables. Subsequent recoveries of amounts previously written-off are credited in the statement of total comprehensive income.

Prior to the adoption of PFRS 9 in 2018, a provision for impairment of receivable is established when there is objective evidence that the Club will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

The relevant policies on classification, recognition, measurement and derecognition of receivable is stated in Note 23.3.

### **23.5 Inventories**

Inventories are stated at the lower of cost and net realizable value (NRV). Cost is determined using the first-in, first-out method and net realizable value is determined as the estimated selling price in the ordinary course of the business, less applicable variable selling expenses. Cost of operating supplies includes purchase price and other incidental costs of acquisition. Inventories in-transit are stated at invoice cost plus importation and incidental charges.

Inventories are derecognized upon sale or when they are sold or consumed. The carrying amount of those inventories is recognized as an expense (reported as cost of sales and direct expenses sold in profit or loss) in the period in which the related revenue is recognized.

Provisions for inventory obsolescence and losses are set-up, if necessary, based on a review of the movements and current condition of each inventory item. Inventories are periodically reviewed and evaluated for obsolescence. Provisions for inventory obsolescence are made to reduce all slow-moving, obsolete, or unusable inventories to their estimated useful or scrap values. The amount of any write-down of inventories to net realizable value and all losses of inventories is recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value is recognized as income in the period in which the reversal occurs.

### **23.6 Prepayments and other current assets**

Prepayments and other current assets, which are carried at cost, are expenses paid in cash and recorded as assets before they are used or consumed, as the service or benefit will be received in the future. Prepayments and other current assets expire and are recognized as expense either with the passage of time or through use or consumption.

Input tax, which represent VAT arising from purchases of goods and services, are carried at cost. These are readily applied against output tax liabilities as incurred.

### **23.7 Property and equipment**

Property and equipment are stated at historical cost less accumulated depreciation and amortization and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items, which comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Construction in-progress represents accumulated costs of assets under construction until they are completed upon which they are charged to the appropriate property and equipment account. This includes cost of construction and other direct costs.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Club and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to operating expenses in the statement of total comprehensive income during the year in which they are incurred

Depreciation is computed using the straight-line method over the estimated useful life of the assets of, in years:

Transportation equipment	5
Furniture, fixtures and equipment	5

Leasehold improvements are amortized over the shorter of remaining lease term or useful life of the improvement.

Capital expenditures related to a project which are partially received or incurred are classified as construction in-progress and are stated at cost. These are not yet classified to the respective property and equipment accounts and not yet subjected to depreciation until such time that the relevant assets are completed and ready for their intended use.

The asset's residual value and useful life are reviewed at each reporting date. If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 23.9).

### **23.8 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 of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Club classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Club is the current bid price. These instruments are included in Level 1.

The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2. If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3.

As at December 31, 2019, the Club does not hold financial and non-financial assets and liabilities at fair value.

### **23.9 Impairment of non-financial assets**

Non-financial assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that have definite useful life are subject to amortization and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use requires the Club to make estimates of future cash flows to be derived from the particular asset, and to discount them using a pre-tax market rate that reflect current assessments of the time value of money and the risks specific to the asset. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs).

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but the increase should not exceed the carrying amount that would have been determined had not the impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized as income immediately.

### **23.10 Current and deferred income tax**

Income tax expense for the period comprises current and deferred tax. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date.

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 is recognized on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences and carry-forward of unused tax losses (net operating loss carryover or NOLCO) to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred income tax liabilities are recognized in full for all taxable temporary differences, except that the deferred income tax liability arises from initial recognition of goodwill.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Club reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax assets and liabilities are derecognized when the relevant temporary differences are realized/settled or recoverability is no longer probable.

### **23.11 Trade and other payables**

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and are recognized initially at transaction price in the period in which the related goods or services are received or when a legally enforceable claim against the Club is established. These are subsequently measured at amortized cost. Liabilities are derecognized when the obligation is discharged or is cancelled or has expired.

Trade and other payables are classified as current liabilities if payment is due within one (1) year or less. If not, these are presented as non-current liabilities.

Relevant accounting policies for classification, recognition, measurement and derecognition of trade and other payables are presented in Note 23.3. Payables to government agencies are not considered financial liabilities but are derecognized similarly.

### **23.12 Deferred income**

Deferred income pertains to advance payment of members for membership certificates and classified under current and non-current liabilities in the statement of financial position. Deferred income arising from sale of membership certificates is amortized over the shorter term of average life expectancy and lease term.

### **23.13 Equity**

#### **23.13.1 Share capital**

Common shares are stated at par value and are classified as share capital. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax. The excess of proceeds from issuance of shares over the par value of shares are credited to share premium.

Preferred shares have the following features, rights and privileges:

- to vote and be voted for in all meetings of the shareholders of the Club where such vote is called for;
- pro-rata share in the dividend declaration of the Club;
- cumulation of dividends;
- preference over holders of the Common shares in the distribution of corporate assets in the event of dissolution and liquidation of the Club;
- non-convertible into Common shares;
- entitled to nominate such number of individuals as may be set by the Board of Directors to become Members of the Club upon fulfillment of the admissions, qualifications, maintenance and other requirements as prescribed by the Club;
- no pre-emptive rights over any sale or issuance of any share in the Clubs share capital; and right to use the facilities and services of the Club.

#### **23.13.2 Deficit**

Deficit includes current and prior years' results of operations, and dividends declared, if any. Dividends are recorded in the financial statements in the period in which they are approved by the Board of Directors.

## **23.14 Revenue and expense recognition**

### *(a) Revenue recognition*

The Club has adopted PFRS 15 effective January 1, 2018. The adoption did not result in any change in the Club's current revenue recognition policy. The Company's revenue streams are considered recognized at a point in time with no variable consideration and financing component.

The Club recognizes revenue when (or as) a performance obligation is satisfied at the amount of the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes). Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Club's activities, which normally approximates the invoice amount, net of VAT. The following specific recognition criteria must also be met before revenue is recognized.

#### *(i) Food and beverage of restaurant and banquets and events*

The Club operates several food banquet and restaurants. Food and beverage revenue is recognized upon invoicing and coincides when the meals are served to customers. It is presented net of applicable taxes.

#### *(ii) Retail sales*

Retail sales are recognized upon billing to customers which coincides with deliveries of goods. It is presented net of applicable taxes.

#### *(iii) Membership income*

Membership in the Club is a privilege, which is subject to such restrictions, limitations and obligations as may be imposed by the Club in accordance with its By-Laws and the Club Rules. In granting membership to the Club, the Board of Directors classified its members as Founding, Regular, Associate and Junior members.

Membership income comes from the membership fees and monthly dues. Such fees vary depending on their type of membership.

Membership fees are one-time upfront payment and is deferred and recognized as revenue over the average life expectancy of members and lease term, whichever is shorter. Founding and Regular membership are transferable after the required lock-up period of five (5) years. Associate and Junior Membership are non-transferable.

Membership dues are billed on an annual basis and recognized as income during the relevant year.

#### *(iv) Interest income*

Interest income, which is presented net of applicable final tax, is recognized on a time-proportion basis using the effective interest method.

#### *(v) Other income*

Other income is recognized in profit or loss when earned.



*(b) Expense recognition*

(i) Departmental costs and expenses, undistributed operating expenses and other expenses

Expenses are recognized in the period they are incurred.

(ii) Interest expense

Interest expense is recognized as it accrues using the effective interest rate method.

### **23.15 Foreign currency transactions and translation**

*(a) Functional and presentation currency*

Items included in the financial statements of the Club are measured using the currency of the primary economic environment in which the Club operates (the functional currency). The financial statements are presented in Philippine Peso, which is the functional and presentation currency of the Club.

*(b) Transactions and balances*

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are charged to other income, net in the statement of total comprehensive income.

### **23.16 Leases**

From January 1, 2018, the Club recognizes leases as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use.

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.

*(a) 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 guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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.

*(b) 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.

*(c) 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.

*(d) Residual value guarantees*

The Club provides residual value guarantees for lease contracts. The Club initially estimates and recognizes amounts expected to be payable under residual value guarantees as part of the lease liability.

*(e) Short-term leases and leases of low-value assets*

Payments associated with short-term leases and leases of low-value assets 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. Low-value assets comprise IT-equipment and small items of office furniture.

Prior to full retrospective adoption of PFRS 16, leases where a significant portion of the risks and rewards of ownership are retained by the lessor classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to operating expense in the statement of total comprehensive income on a straight-line basis over the period of the lease.

## **23.17 Retirement benefits**

Retirement benefits are provided to employees pursuant to Republic Act No. 7641, the Retirement law, which is a defined benefit plan.

A defined benefit plan is a retirement plan that defines an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of retirement plan remains with the Club, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund as well as qualifying insurance policies. The Club's defined benefit retirement plan covers all regular full-time employees and is currently unfunded.

The liability recognized in the statement financial position in respect of defined benefit retirement plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, if any. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using 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 to the terms of the related retirement benefit obligation.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in profit or loss

### **23.18 Events after the end of the reporting period**

#### *COVID-19 (Corona virus)*

The spread of COVID-19 during the first quarter of 2020 has significant impact on the operations of the Club. The President of the Philippines imposed an "Enhanced Community Quarantine (ECQ)" in Metro Manila which restricts the movement of people and the operations of businesses. The Club operations was suspended during the ECQ period, aside from takeaway/pick up services and as a community service initiative, the Club opened these services to both Members and Non-members. The Club was a partner also with Project Food, a community feeding initiative to prepare meals for distribution to indigent families in the neighborhood. The Club also partnered with Grab Food and Food Panda for online deliveries. Recently, the Club launched its in house WebApp for online ordering and reward system for Members. The Club also launched Hot Meals for Heroes, a donation program for front liners, in which a donor can donate a food to hospital or organization of his/her choice. Open Kitchen Packed Meal Services was also introduced, customized weekly set menu was being offered to Company employees for delivery to their offices and businesses. As part of cost saving, the Club operates on a skeletal force. Non-essential employees were put on a furlough status and have discontinued mostly probationary contracts and outsourced employees.

The Club has observed the government mandate and directives. Consequently, management foresees an inevitable slowdown in operations and decreased growth during the ECQ. Nonetheless, management continues to look for measures to mitigate and reduce any negative impact to its profitability or economic impact on its businesses brought about by the ECQ. Management will continue to address the issues that directly affect its business operations. Management is optimistic and expects that the COVID-19 pandemic would not have a significant impact on the Club's financials for the next twelve (12) months.

It is currently uncertain what the magnitude of the impact will be and the effect on the December 31, 2019 financial statements (among others valuation of assets and allowance for doubtful accounts). This will depend, among others, on the development of the spread of the virus and how long the restrictive measures taken by the governments will last. The Club has taken measures to preserve the health and safety of its employees and stakeholders as well as the business operations.

### 23.19 Restatements

Until December 31, 2018, leases of office space, equipment and vehicles were classified as either finance leases or operating leases. The Club adopted the new standard for leases using the full retrospective approach which effectively recognized leases as a right-of-use asset and a corresponding liability as at January 1, 2017, earliest period presented. The impact of the adoption of the standard as at December 31, 2017 is summarized below:

- a. As at January 1, 2017, right of use of asset amounting to P336,781,632 with accumulated depreciation amounting to P7,108,962 and lease liability amounting to P330,561,904 was recognized.
- b. As at January 1, 2017, rent expense amounting to P9,403,073 was reclassified to depreciation expense amounting to P7,025,068 and interest expense amounting to P4,696,325 resulting in opening deficit and deferred tax asset increasing by P1,622,824 and P695,496, respectively.
- c. As at January 1, 2017, rent payments amounting to P7,503,251 recognized as rent expense were reclassified and accounted for as payments to finance lease liability and interest.
- d. As at December 31, 2017, depreciation amounting to P34,757,264 and interest expense amounting to P17,250,924 were recognized.
- e. As at December 31, 2017, accrued rent expense as a result of PAS 17 straight-lining adjustment amounting to P11,064,224 was reversed.
- f. As at December 31, 2017, deferred tax asset amounting to P2,730,559 was recognized.
- g. As at December 31, 2017, finance lease liabilities presented as non-current amounting to P21,804,046 was reclassified as current liabilities.

#### (a) Impact of restatements on the statements of financial position

		As previously reported	Adjustments	As restated
<i>As at December 31, 2017</i>				
<b>Assets</b>				
Right of use of asset	a,e	-	298,610,707	298,610,707
Deferred tax asset	b,f	33,829,556	2,730,559	36,560,115
<b>Liabilities</b>				
Trade and other payables	f	48,858,014	(11,064,224)	37,793,790
Finance lease obligation, current	g	-	21,804,046	21,804,046
Finance lease obligation, non-current	a,d,g	-	293,692,869	293,692,869
<b>Equity</b>				
Retained earnings	b,d,e,f,g,h	(103,576,379)	(6,427,637)	(110,004,016)

#### (b) Impact of restatements on the statement of total comprehensive income for the year ended December 31, 2017

		As previously reported	Adjustments	As restated
Rent	e,f	52,265,620	(45,937,468)	6,328,152
Depreciation and amortization	e	17,386,013	30,920,754	48,306,767
Interest expense	e	-	18,379,800	18,379,800
Income tax benefit	b	(22,988,246)	(2,059,206)	(25,047,452)
Total comprehensive income (loss)		54,394,123	4,804,813	59,198,936

*(c) Impact of restatements policy on the statement of changes in equity*

The impact of the restatement on the statement of changes in equity has been presented in the statement of changes in equity.

**Note 24 - Supplementary information required by the Bureau of Internal Revenue (BIR)**

The following supplementary information required by Revenue Regulation No. 15-2010 is presented for purposes of filing with the BIR and is not a required part of the basic financial statements:

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

Output VAT declared for the year ended December 31, 2019 and the revenues upon which the same was based consist of:

	Gross amount of revenues	Output VAT
Subject to 12% VAT		
Sale of goods	172,780,788	20,733,695
VAT-exempt sales	5,141,288	-
	177,922,076	20,733,695

The gross revenues shown are based on sales of goods and services in the statement of total comprehensive income are measured in accordance with the Club's accounting policy disclosed in Note 23.14.

*(b) Input VAT*

Movements in input VAT for the year ended December 31, 2019 are as follows:

Beginning balance	-
Add: Current year's domestic purchases/payments for:	
Domestic Purchases of Goods Other than Capital Goods	3,676,689
Domestic Purchase of Services	8,677,202
Less: Input VAT applied against output VAT	(12,353,891)
Ending balance	-

*(c) Importations*

There were no custom duties and tariff fees incurred for the year ended December 31, 2019.

*(d) All other local and national taxes*

All other local and national taxes paid for the year December 31, 2019 consist of:

	Amount
Tax Assessment	5,101,805
Mayor's permit	2,226,836
Real Property Tax	144,132
BIR registration fee	500
Others	3,378
	7,476,651

The local and national taxes are presented as 'taxes and licenses' within operating expenses account in the statement of total comprehensive income.

*(e) Documentary stamp tax*

There were no documentary stamp tax incurred for the year ended December 31, 2019.

*(f) Withholding and percentage taxes*

Withholding taxes paid and accrued and/or withheld for the year December 31, 2019 consist of:

	Paid	Accrued	Total
Expanded withholding tax	3,722,039	315,444	4,037,483
Withholding tax on compensation	2,296,839	99,610	2,396,449
	6,018,878	415,054	6,433,932

Withholding taxes payable is presented under 'trade and other payables' account in the statement of financial position.

*(g) Tax assessments and cases*

In 2017, tax assessments amounted to P5,101,805 was paid in October 2019. The amount was reported under 'taxes and licenses' presented within operating expenses account in the statement of total comprehensive income.

In December 2018 and 2019, there were no outstanding tax assessments nor cases under preliminary investigation, litigation and/or prosecution in courts on bodies outside of the BIR.

**Manila House Private Club, Inc.**

Financial Ratios  
December 31, 2019

Financial ratio	Calculation	2019	2018	2017
			(As restated)	(As restated)
Liquidity/current ratio	Total current assets divided by total current liabilities  Total current assets 24,986,782 Divided by: Total current liabilities 119,522,282 Liquidity/current ratio 0.21	0.21:1	0.26:1	0.54:1
Acid test ratio	Quick assets (total current assets less prepayments and other current assets) divided by total current liabilities  Total current assets 24,986,782 Less: Prepayments and other current assets 3,398,842 21,587,940 Divided by: Total current liabilities 119,522,282 0.18	0.18:1	0.23:1	0.48:1
Solvency ratio	[Net income after tax plus non-cash expenses (e.g. depreciation etc.)] divided by total liabilities  Net loss after tax (69,700,742) Add: Depreciation and amortization 62,560,535 (7,140,207) Divided by: Total liabilities 450,726,132 (0.02)	-0.02:1	-0.02:1	-0.02:1
Debt-to-equity ratio	Total liabilities divided by total equity  Total liabilities 450,726,132 Divided by: Total equity (84,030,092) (5.36)	-5.36:1	-27.45:1	10.19:1
Asset-to-equity ratio	Total assets divided by total equity  Total assets 366,696,040 Divided by: Total equity (84,030,092) (4.36)	-4.36:1	-26.45:1	11.19:1
Return on equity	Net income (loss) after tax divided by total equity  Net loss after tax (69,700,742) Divided by: Total equity (84,030,092) (0.83)	-0.83:1	-3.72:1	1.35:1
Return on assets	Net income (loss) after tax divided by total assets at beginning  Net loss after tax (69,700,742) Divided by: Total assets, beginning 426,855,770 (0.16)	-0.16:1	-0.12:1	-0.39:1
Net profit margin	Net income after tax divided by total revenue and income  Net loss after tax (69,700,742) Divided by: Total revenue and income 177,416,905 (0.39)	-0.39:1	-0.34:1	-0.43:1
Earnings (loss) per share	Net Income (loss) divided by number of common stock outstanding  Net loss after tax (69,700,742) Divided by: Number of common stock outstanding 100,005 (696.97)	(696.97)	(600.68)	(591.96)

**Manila House Private Club, Inc.**

Schedule A  
Financial Assets  
As at December 31, 2019  
(All amounts in Philippine Peso)

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Value based on market quotation at statement date	Income received and accrued
Financial assets at fair value through other comprehensive income	N/A	N/A	N/A
Total financial assets at fair value through other comprehensive income	N/A	N/A	N/A
Cash and cash equivalents	-	6,494,904	18,288
Trade and other receivables	-	10,756,784	-
Refundable deposits	-	17,341,209	-
Total financial assets	-	34,592,897	18,288



**Manila House Private Club, Inc.**

Schedule B  
Amounts Receivable from Directors, Officers, Employees,  
Related Parties and Principal Stockholders (Other than Related Parties)  
As at December 31, 2019  
(All amounts in Philippine Peso)

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected, liquidated or reclassified	Amounts written off	Current	Non-current	Balance at end of year
Employees	575,709	114,450	-	-	-	-	690,159

**Manila House Private Club, Inc.**

Schedule C  
Amounts Receivable from Related Parties which are Eliminated  
During the Consolidation of Financial Statements  
As at December 31, 2019  
(All amounts in Philippine Peso)

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Amounts provided for/ written off	Current	Not current	Balance at end of year
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>							

**Manila House Private Club, Inc.**

Schedule D  
Long Term Debt  
As at December 31, 2019  
(All amounts in Philippine Peso)

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
Lease Liabilities	N/A	39,241,428	240,031,230

**Manila House Private Club, Inc.**

Schedule E  
Indebtedness to Related Parties  
As at December 31, 2019  
(All amounts in Philippine Peso)

Name of related party	Balance at beginning of period	Balance at end of period
Shareholder	2,387,465	4,900,751

**Manila House Private Club, Inc.**

Schedule F  
Guarantees of Securities of Other Issuers  
As at December 31, 2019  
(All amounts in Philippine Peso)

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	Amount owned by person for which statement is filed	Nature of guarantee
		N/A		

**Manila House Private Club, Inc.**

Schedule G  
Capital Stock  
As at December 31, 2019

The details of authorized and paid-up capital stock are as follows:

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates	Directors, officers and employees	Others
Common shares of stock	200,000	100,005	-	-	-	-
Treasury stock	-	-	-	-	-	-
Outstanding common stock	200,000	100,005	-	-	-	-
Preferred stock	2,000	1,550	-	-	-	-
Total	202,000	101,555	-	-	-	-

**Manila House Private Club, Inc.**

Reconciliation of Retained Earnings Available for Dividend Declaration  
As at December 31, 2019  
(All amounts in Philippine Peso)

Unappropriated Retained Earnings, <i>as adjusted to available for dividend distribution, beginning of the year</i>	(170,012,349)
<b>Add: Net income actually earned/realized during the period</b>	
Net income (loss) during the period closed to retained earnings	(69,700,742)
<b>Less: Non-actual/realized income net of tax:</b>	
Equity in net income of an associate/joint venture	-
Unrealized foreign exchange gain (after tax) except those attributable to cash and cash equivalents	-
Unrealized actuarial gain	-
Fair value adjustment (mark-to-market gains)	-
Fair value adjustment of investment property resulting to gain	-
Adjustment due to deviation from PFRS - gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	-
Sub-total	(69,700,742)
<b>Add: Non-actual losses</b>	
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS - loss	-
Loss on fair value adjustment of investment property (after tax)	-
Subtotal	-
<b>Net income (loss) actually earned during the year</b>	<b>(69,700,742)</b>
<b>Add (Less):</b>	
Dividend declarations during the year	-
Appropriations of retained earnings during the year	-
Reversals of appropriations	-
Effects of prior period adjustments	-
Treasury shares	-
Subtotal	-
<b>Total retained earnings available, end of the year available for dividend (deficit)</b>	<b>(239,713,091)</b>

SECURITIES & EXCHANGE COMMISSION  
SEC Building, EDSA, Mandaluyong City  
Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS

The management of **Manila House Private Club, Inc.** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the period ended 31 March 2020 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 this regard, Management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the company.

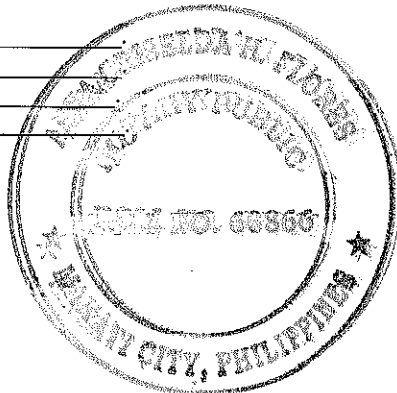
DORIS MAGSAYSAY HO  
Chairman

JOSE ARCILLA  
President

ANTONIO RAYMUNDO O. SAN DIEGO  
Treasurer

SUSCRIBED AND SWORN to before me on this 28 day of JUL 2020 at Makati City. Affiant exhibited to me their Identification Card with No.

Doc. No 195  
Page No 40  
Book No 1  
Series of 2020



ANNA CRISNELDA H. FLORES  
Notary Public  
Until December 31, 2020  
Roll of Attorneys No. 68866  
PTR No. 8116994; 01-03-2020; Makati City  
IBP No. 101370; 01-06-2020; Makati City  
MCLE Compliance No. VI-0024784; 04-11-2019  
Notarial Commission No. M-211  
5F Montepino Bldg., 138 Amoroso St.,  
Legaspi Village, Makati City



# ***Manila House Private Club, Inc.***

**Financial Statements**

**As at March 31, 2020 and December 31, 2019**

**Manila House Private Club, Inc.**

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

	March, 31 2020	December, 31 2019
<b>Current assets</b>		
Cash	779,830	6,494,904
Trade and other receivables	8,207,335	10,756,784
Inventories	4,666,009	4,336,252
Prepayments and other current assets	4,714,866	3,398,842
Total current assets	18,368,040	24,986,782
<b>Non-current assets</b>		
Right of use asset, net	228,958,957	228,958,957
Property and equipment, net	57,592,571	62,117,035
Deferred income tax assets, net	33,292,057	33,292,057
Other non-current assets	17,341,209	17,341,209
Total non-current assets	337,184,794	341,709,258
<b>Total assets</b>	355,552,834	366,696,040
<b>Current liabilities</b>		
Trade and other payables	46,624,891	47,553,487
Current portion of deferred income	36,469,569	27,826,616
Current portion of lease liabilities	39,241,428	39,241,428
Advances from shareholders	2,694,868	4,900,751
Total current liabilities	125,030,756	119,522,282
<b>Non-current liabilities</b>		
Lease liabilities, net of current portion	240,031,230	240,031,230
Deferred income, net of current portion	89,077,843	89,077,842
Retirement benefit obligation	2,094,778	2,094,778
Total non-current liabilities	331,203,850	331,203,850
Total liabilities	456,234,606	450,726,132
<b>Equity</b>		
Share capital	156,000,050	156,000,050
Other reserves	(317,051)	(317,051)
Deficit	(256,364,771)	(239,713,091)
Total equity (capital deficiency)	(100,681,772)	(84,030,092)
<b>Total liabilities and equity</b>	355,552,834	366,696,040

**Manila House Private Club, Inc.**

Statements of Total Comprehensive Income  
For the period ended March 31, 2020 and December 31, 2019  
(All amounts in Philippine Peso)

	March, 31 2020	December, 31 2019
<b>Net revenues</b>		
Net sales	30,869,065	167,495,274
Retail and club event sales	971,630	6,107,386
	31,840,695	173,602,660
<b>Cost of sales and services</b>		
Depreciation and amortization	(4,993,034)	(56,328,359)
Food and beverage expenses	(10,453,335)	(43,810,817)
Payroll and related expenses	(4,925,197)	(25,055,433)
Other expenses	(4,228,192)	(16,989,560)
	(24,599,758)	(142,184,169)
<b>Gross profit</b>	7,240,937	31,418,491
Operating expenses	(24,226,414)	(80,868,223)
Other income, net	333,799	3,814,245
<b>Operating loss</b>	(16,651,679)	(45,635,487)
Finance cost	-	(15,937,855)
<b>Loss before income tax</b>	(16,651,679)	(61,573,342)
Income tax benefit (expense)	-	(8,127,400)
<b>Net loss for the year</b>	(16,651,679)	(69,700,742)
<b>Other comprehensive income (loss)</b>		
Items that will not be subsequently reclassified to profit or loss		
Actuarial loss on defined benefit plan	-	(254,819)
<b>Total comprehensive loss for the year</b>	(16,651,679)	(69,955,561)

**Manila House Private Club, Inc.**

Statements of Changes in Equity  
For the period ended March 31, 2020 and December 31, 2019  
(All amounts in Philippine Peso)

	Share capital	Other reserves	Retained earnings (Deficit)	Total equity
<b>Balances as at December 31, 2018, as restated</b>	153,933,383	(62,232)	(170,012,349)	(16,141,198)
<b>Comprehensive loss</b>				
Net loss for the year	-	-	(69,700,742)	(69,700,742)
Other comprehensive loss for the year	-	(254,819)	-	(254,819)
Total comprehensive loss for the year	-	(254,819)	(69,700,742)	(69,955,561)
<b>Transaction with shareholders</b>				
Collection of subscriptions receivable	2,066,667	-	-	2,066,667
<b>Balances as at December 31, 2019</b>	156,000,050	(317,051)	(239,713,091)	(84,030,092)
<b>Comprehensive loss</b>				
Net loss for the year	-	-	(16,651,679)	(16,651,679)
Other comprehensive loss for the year	-	-	-	-
Total comprehensive loss for the year	-	-	(16,651,679)	(16,651,679)
<b>Transaction with shareholders</b>				
Collection of subscriptions receivable	-	-	-	-
<b>Balances as at March 31, 2020</b>	156,000,050	(317,051)	(256,364,770)	(100,681,771)

**Manila House Private Club, Inc.**

Statements of Cash Flows  
For the period ended March 31, 2020 and December 31, 2019  
(All amounts in Philippine Peso)

	March, 31 2020	December, 31 2019
<b>Cash flows from operating activities</b>		
Loss before income tax	(16,651,679)	(61,573,342)
Adjustments for:		
Depreciation and amortization	4,993,034	62,560,535
Interest expense	-	15,937,855
Provision for doubtful accounts	-	905,125
Retirement benefit expense	-	948,623
Unrealized foreign exchange (gain) loss, net	-	(9,799)
Interest income	-	(18,288)
Interest income on security deposits	-	(172,580)
Operating income before working capital changes	(11,658,645)	18,578,129
Changes in working capital:		
Trade and other payables	(1,397,167)	12,330,220
Deferred income	8,642,953	10,302,703
Trade and other receivables	2,549,450	(459,563)
Inventories	(329,757)	(396,873)
Other noncurrent assets	-	-
Prepayments and other current assets	(1,316,024)	(733,376)
Cash generated from operations	(3,509,190)	39,621,240
Interest received from bank deposits		18,288
Net cash provided by operating activities	(3,509,190)	39,639,528
<b>Cash flows from investing activities</b>		
Payments for property and equipment	-	(11,218,779)
<b>Cash flows from financing activities</b>		
Advances from shareholders	(2,205,883)	2,513,286
Collection of subscription receivable	-	2,066,667
Payments of lease liabilities	-	(20,813,798)
Interest paid	-	(9,544,268)
Net cash used in financing activities	(2,205,883)	(25,778,113)
<b>Net increase (decrease) in cash for the year</b>	(5,715,073)	2,642,636
<b>Cash as at January 1</b>	6,494,904	3,842,469
Effect of exchange rate changes on cash	-	9,799
<b>Cash, ending</b>	<b>779,831</b>	<b>6,494,904</b>