Enterprise Risk Management

The Company’s Enterprise Risk Management (ERM) involves identifying, assessing, and mitigating risks that could impact the company's objectives and overall performance. ERM process involves Risk Identification, Risk Assessment, Risk Mitigation and Monitoring and Review.

The Company adopts a culture of risk awareness and accountability throughout the organization, encouraging employees at all levels to identify and report risks associated with the overall goal for sustainable growth in a dynamic business environment.

The Company’s Enterprise Risk Management system begins with a comprehensive analysis of items that will have the biggest impact and highest probability. For each, action plans are prepared outlining what to do and who to do it, if and when such risks occur. Preparations emanate from the Business Operating Units, with control and audit functions delegated to Senior Management and the Audit Committee of the Board of Directors.

Financial Risk Management

The Company’s principal financial instruments comprise cash and cash equivalents and receivables. The main purpose of these financial instruments is to obtain financing for its operations. The Company has other financial assets and liabilities such as other noncurrent assets and trade payables and other current liabilities which arise directly from its operations.

The main risks arising from these financial instruments are credit risk and liquidity risk. The Company does not engage in any long-term debt and foreign currency-denominated transactions that may cause exposure to interest rate risk and foreign currency risk, respectively. The policies for managing each of these risks are summarized as follows:

Equity Price Risk

The Company is not exposed to significant equity price risk on its investment in quoted equity securities consisting of investment in club shares and shares of public utility companies.

Interest Rate Risk

Interest rate risk arises from the possibility that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates.

The Company’s interest rate exposure management policy centers on reducing the Company’s overall interest expense and exposure to changes in the interest rates.

There is minimal exposure on the other sources of Company’s interest rate risk. These other sources are from its cash in bank, short-term deposits, refundable deposits and employees’ cash receivables.

Credit Risk

Credit risk is the risk that a customer or counterparty fails to fulfill its contractual obligations to the Company. This includes risk of non-payment by borrowers and issuers, failed settlement of transactions and default on outstanding contracts.

The Company has a strict credit policy. Its credit transactions are with franchisees that have gone through rigorous screening before granting them the franchise. The credit terms are very short, while deposits and advance payments are also required before rendering the service or delivering the goods, thus, mitigating the possibility of non-collection. In cases of non-collection, defaults of the debtors are not tolerated; deliveries are put on hold to avoid further credit risks.

Liquidity Risk

The Company's exposure to liquidity risk refers to the risk that its financial liabilities are not serviced in a timely manner and that its working capital requirements and planned capital expenditures are not met. To manage this exposure and to ensure sufficient liquidity levels, the Company closely monitors its cash flows.

On a weekly basis, the Company's Cash and Collection Team monitors its collections, expenditures and any excess/deficiency in the working capital requirements, by preparing cash position reports that present actual and projected cash flows for the subsequent week. Cash outflows resulting from major expenditures are planned so that money market placements are available in time with the planned major expenditure. In addition, the Company has short-term cash deposits and has available credit lines with accredited banking institutions, in case there is a sudden deficiency. The Company maintains a level of cash and cash equivalents deemed sufficient to finance the operations.

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company generates cash flows from operations which can help finance its organic growth. It declares cash dividends representing about one-third of its consolidated net income, a ratio that would still leave some additional cash for future acquisitions. If needed, the Company would borrow money for acquisitions of new businesses.