BotiCARD Inc.

Financial Statements
December 31, 2016 and 2015

and

Independent Auditor's Report

SGV

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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
BotiCARD Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of BotiCARD Inc. (the Company), which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 23 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of BotiCARD Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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April 10, 2017

BOTICARD INC.

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5 and 21)	**₱15,649,604**	₱17,176,458
Trade and other receivables (Notes 6 and 21)	**8,085,157**	4,041,369
Inventories (Note 7)	**5,479,089**	9,473,966
Other current assets (Note 8)	**437,230**	192,761
Total Current Assets	**29,651,080**	30,884,554
Noncurrent Assets		
Property and equipment (Note 9)	**647,247**	1,288,952
Intangible assets (Note 10)	**121,302**	–
Retirement asset (Note 18)	**3,737,232**	–
Deferred tax assets (Note 20)	**–**	362,452
Other noncurrent assets (Note 8)	**458,583**	780,435
Total Noncurrent Assets	**4,964,364**	2,431,839
	₱34,615,444	₱33,316,393
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 11 and 21)	**₱1,884,582**	₱6,177,854
Value added tax (VAT) payable (Note 11)	**475,233**	670,460
Income tax payable	**173,547**	453,677
Finance lease payable (Note 19)	**76,541**	89,332
Total Current Liabilities	**2,609,903**	7,391,323
Noncurrent Liabilities		
Retirement liability (Note 18)	**–**	3,061,453
Financial lease payable - net of current portion (Note 19)	**28,222**	79,694
Deferred tax liability (Note 20)	**824,551**	–
Total Noncurrent Liabilities	**852,773**	3,141,147
	3,462,676	10,532,470
Equity		
Capital stock (Note 12)	**22,320,500**	20,732,500
Retained earnings	**7,574,930**	5,336,831
Remeasurement gain (loss) on retirement plan (Note 18)	**1,257,338**	(3,285,408)
	31,152,768	22,783,923
	₱34,615,444	₱33,316,393

See accompanying Notes to Financial Statements.

BOTICARD INC.
STATEMENTS OF INCOME

	Years Ended December 31	
	2016	2015
NET SALES (Notes 13 and 21)	**₱59,703,915**	₱52,116,741
COST OF SALES (Note 14)	**29,167,713**	24,567,037
GROSS PROFIT	**30,536,202**	27,549,704
GENERAL AND ADMINISTRATIVE EXPENSES (Note 15)	**15,248,305**	11,824,017
SELLING AND DISTRIBUTION EXPENSES (Note 16)	**14,727,619**	14,576,322
OPERATING INCOME	**560,278**	1,149,365
OTHER INCOME		
Gain on retirement of asset - net (Note 9)	**885,818**	108,844
Interest (Notes 5 and 21)	**205,066**	200,454
Others	**500,424**	114,974
	1,591,308	424,272
INCOME BEFORE INCOME TAX	**2,151,586**	1,573,637
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 20)	**(86,513)**	493,855
NET INCOME	**₱2,238,099**	₱1,079,782

See accompanying Notes to Financial Statements

BOTICARD INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2016	2015
NET INCOME	**₱2,238,099**	₱1,079,782
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that may not be classified to the statement of income:		
Remeasurement gain (loss) on retirement plan (Note 18)	**6,489,637**	(4,022,613)
Income tax effect (Note 20)	**(1,946,891)**	–
	4,542,746	(4,022,613)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱6,780,845**	(₱2,942,831)

See accompanying Notes to Financial Statements.

BOTICARD INC.

STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 12)	Retained Earnings	Remeasurement Gain (Loss) on Retirement Plan (Note 18)	Total
Balances at January 1, 2016	**₱20,732,500**	**₱5,336,831**	**(₱3,285,408)**	**₱22,783,923**
Issuance of capital stock	**1,588,000**	**–**	**–**	**1,588,000**
Total comprehensive income for the year	**–**	**2,238,099**	**4,542,746**	**6,780,845**
Balances at December 31, 2016	**₱22,320,500**	**₱7,574,930**	**₱1,257,338**	**₱31,152,768**
Balances at January 1, 2015	₱10,000,000	₱4,257,049	₱737,205	₱14,994,254
Conversion of deposits for future stock subscription to paid-in capital	10,732,500	–	–	10,732,500
Total comprehensive income (loss) for the year	–	1,079,782	(4,022,613)	(2,942,831)
Balances at December 31, 2015	₱20,732,500	₱5,336,831	(₱3,285,408)	₱22,783,923

See accompanying Notes to Financial Statements.

BOTICARD INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱2,151,586**	₱1,573,637
Adjustments for:		
Retirement expense (Notes 17 and 18)	**1,690,952**	557,450
Gain on retirement of asset - net (Note 10)	**(885,818)**	(108,844)
Depreciation and amortization (Notes 9 and 10)	**724,747**	752,175
Provision for allowance on inventory losses and credit losses (Notes 6, 7 and 15)	**420,128**	–
Interest income	**(205,066)**	(200,454)
Interest expense	**25,070**	20,556
Changes in operating assets and liabilities:		
(Increase) decrease in the amounts of:		
Trade and other receivables	**(4,155,457)**	(2,975,967)
Inventories	**3,686,418**	(670,662)
Other assets	**77,383**	(303,141)
Increase (decrease) in the amounts of:		
Trade and other payables	**(4,293,272)**	2,388,726
VAT payable	**(195,227)**	124,936
Net cash generated from (used in) operations	**(958,556)**	1,158,412
Interest income received	**205,066**	200,454
Income taxes paid	**(953,506)**	(246,038)
Contribution to retirement fund (Note 18)	**(2,000,000)**	(800,000)
Net cash provided by (used in) operating activities	**(3,706,996)**	312,828
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Note 9)	**(208,726)**	(959,590)
Intangible assets (Note 10)	**(55,511)**	–
Proceeds from:		
rement of property and equipment (Note 10)	**945,711**	261,883
Net cash provided by (used in) investing activities	**681,474**	(697,707)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of capital stock (Note 12)	**1,588,000**	3,458,000
Payment of finance lease liability (Note 19)	**(89,332)**	(59,555)
Net cash flows provided by financing activities	**1,498,668**	3,398,445
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,526,854)**	3,013,566
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**17,176,458**	14,162,892
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱15,649,604**	₱17,176,458

See accompanying Notes to Financial Statements.

BOTICARD INC.
NOTES TO FINANCIAL STATEMENTS

1. **Corporate Information**

BotiCARD Inc. (the Company) was incorporated and duly registered with the Securities and Exchange Commission (SEC) on May 20, 2011. The Company is a member of Center for Agriculture and Rural Development - Mutually Reinforcing Institutions (CARD-MRI) and was created primarily to engage in the business of purchasing, delivery and selling prescription drugs, proprietary drugs, and non-prescription medicines and of other merchandise such as grocery items, soda, agricultural and novelty products.

The Company's principal place of business is at 20 M. L. Quezon St., City Subdivision, San Pablo City, Laguna.

The Company has one (1) warehouse and ten (10) branches as at December 31, 2016 and one (1) warehouse and fourteen (14) branches as at December 31, 2015 located in the Philippines.

2. **Summary of Significant Accounting Policies**

Basis of Preparation
The financial statements have been prepared on a historical cost basis and are presented in Philippine peso (₱), the Company's functional currency. All values are rounded to the nearest peso.

Statement of Compliance
The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standard (PFRS).

The Company availed of the exemption from the mandatory adoption of PFRS for Small and Medium-sized Entities (PFRS for SMEs) on the grounds that the Company is an associate of another company that is reporting under full PFRS.

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

Income and expense are not offset in the statements of income and comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Company.

Significant Accounting Policies

Current versus Non-current Classification
The Company presents assets and liabilities in statement of financial position based on current and noncurrent classification.

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

All other assets are classified as noncurrent.

A liability is current when, it is:
- Expected to be settled in normal operating cycle;
- Held primarily for the purpose of trading;
- Due to be settled within twelve months after the reporting period; or
- Not subjected to unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as noncurrent.

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

Changes in Accounting Policies
Except for the new and amended standards and interpretation which became effective beginning Jnauary 1, 2016, the accounting policies adopted are consistent with those of the previous financial year. Adoption of these pronouncements did not have significant impact on the Company's financial position or performance unless otherwise indicated.

- Amendments to PFRS 10, PFRS 12, and PAS 28, *Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Amounts*
- Amendments to PAS 1, *Disclosure Initiative*
- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
- Amendments to PAS 27, *Equity Method in Separate Financial Statements*

Annual Improvements to PFRSs (2012 - 2014 Cycle)
- Amendments to PFRS 5, *Changes in Methods of Disposal*
- Amendments to PFRS 7, *Servicing Contracts*
- Amendments to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
- Amendments to PAS 19, *Discount Rate: Regional Market Issue*
- Amendments to PAS 34, *Disclosure of Information 'Elsewhere in the Interim Financial Report'*

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

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

The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at every reporting date.

As at December 31, 2016 and 2015, none of the Company's financial instruments cash, trade and other receivables, refundable rental deposits recoded under "Other Assets", trade and other payables and finance lease payable are measured at fair value.

As at December 31, 2016 and 2015, the carrying amount of these financial instruments as reflected in the statement of financial position and related notes, approximates their respective values due to their relatively short-term maturities.

As at December 31, 2016 and 2015, the Company's financial instruments where the carrying values do not approximate fair value pertains to refundable rental deposits recorded under "Other noncurrent assets". These are reported at cost and are not significant in relation to the Company's asset portfolio.

Cash and Cash Equivalents
Cash and Cash equivalents include cash on hand and cash in banks. Cash on hand includes undeposited checks and petty cash fund while cash in banks include savings deposits and time deposits that are highly liquid and are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placements and which are subset to insignificant risk if changes in value.

Financial Instruments - Initial Recognition and Subsequent Measurement
Initial recognition of financial instrument
All financial instruments are initially measured at fair value. Except for financial assets and liabilities at fair value through profit or loss (FVPL), the initial measurement of financial instruments includes transaction costs. The Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) investments and loans and receivables. Financial liabilities are classified into financial liabilities at FVPL and financial liabilities at amortized cost. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As at December 31, 2016 and 2015, the Company has no financial instruments at FVPL, HTM and AFS investments.

Receivables
Receivables include trade receivables, refundable deposits and accruals. These are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market, other than:
- those that the Company intends to sell immediately or in the near term and those that the Company, upon initial recognition, designates as FVPL;
- those that the Company, upon initial recognition, designates as AFS; and
- those for which the Company may not cover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, these are subsequently measured at amortized cost using the effective interest rate method (EIR), less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included under ‘Interest income’ in the statement of income. The losses arising from impairment are recognized under ‘Provision for impairment and credit losses’ in the statement of income.

Trade receivables are based on normal credit terms and do not bear interest, are initially recognized at the transaction price and subsequently measured at cost.

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows.

Financial liabilities at amortized cost
This category represents issued financial instruments or their components, which are not designated at FVPL, where the substance of the contractual arrangements result in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue

After initial measurement, financial liabilities not qualified and not designated as FVPL, are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account the impact of applying the effective interest method of amortization for any related premium, discount and any directly attributable transaction costs.

This accounting policy applies primarily to the statement of financial position caption 'Trade and other payables'.

Derecognition of Financial Instruments
Financial asset
A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

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

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

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

Inventories
Inventories are valued at the lower of cost or net realizable value (NRV). Cost is determined primarily on the basis of weighted average cost method. Cost consist of purchase price, including duties, transport and handling cost and other incidental expenses in bringing the inventories to their present condition and location. NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

The Company provides an allowance for inventory obsolescence due to deterioration, damage, breakage, age and condition. Provision for inventory obsolescence is determined based on specific identification at the time of physical count which is taken once a year.

Other Current Assets
Other current assets represent expenses not yet incurred but are already paid in cash. These are measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Property and Equipment
Property and equipment such as office equipment, office furniture and fiztures, transportation equipment and leasehold improvements, are stated at cost less accumulated depreciation, and any impairment in value.

Such cost includes the cost of replacing part of the property and equipment when that cost is incurred and if the recognition criteria are met, but excluding repairs and maintenance cost.

Depreciation and amortization commences once the property and equipment are available for use and is computed using the straight-line method over the estimated useful lives (EUL) of the respective assets, except for leasehold improvements which are amortized over the shorter of the EUL of the improvements or the terms of the related leases. The EUL of the depreciable assets are as follows:

Leasehold improvements	3 to 5 years or term of the related leases, whichever is shorter
Office furniture and fixtures	3 years
Office equipment	3 years
Transportation equipment	3 years

The EUL and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is credited against profit or loss.

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

Intangible Assets
Intangible assets include software costs incurred in obtaining license for the software purchased and used by the Company. The amortization of software costs is on a straight-line basis over a

period of three years and is recorded under ‘Amortization expense’ account in the statement of income.

Other Noncurrent Assets
Other noncurrent assets represent advance rental and refundable rental deposits which are measured at the amount of cash paid. Advance rental will be applied on the last months of the related lease agreements while refundable rental deposits are refundable upon termination of the related lease agreements.

Impairment of Nonfinancial Assets
At each reporting date, the Company assesses whether there is any indication that its nonfinancial assets (e.g., property and equipment, and intangible assets) may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Company makes a formal estimate of recoverable amount.

Recoverable amount is the higher of an asset’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the Cash Generating Unit (CGU) to which it belongs. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset (or CGU) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU).

Similarly, at each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item with its NRV. If an item of inventory is impaired, its carrying amount is reduced to NRV.

An impairment loss is charged against current operations in the period in which it arises.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in statement of income. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Revenue
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured regardless of when payment is being made. Revenue is recorded at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal. The following specific recognition criteria must also be met before income is recognized:

Sale of goods
Sale of goods is recognized when delivery has taken place and the transfer of risks and rewards has been completed.

Interest income
Interest income on deposits in banks is recognized as interest accrues, taking into account the effective yield of the asset.

Costs and Expenses
Costs and expenses encompass losses as well as those expenses that arise in the course of the ordinary activities of the Company. The following specific recognition criteria must also be met before costs and expenses are recognized:

Cost of sales
Cost that includes all expenses associated with the specific sale of goods. Cost of sales includes the purchase price and capitalizable purchase costs. Such costs are recognized when the related sales have been recognized.

Operating expenses
Operating expenses are expenses that arise in the course of ordinary operations of the Company. Operating expenses are recognized in statement of income when incurred. The cost and expenses are presented in the Company's financial statements by function.

Retirement Benefits
The Company operates a defined benefit retirement plan and a hybrid retirement plan, which require contributions to be made to a separately administered fund. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the reporting date reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling (if any). The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in the statement of financial position with a corresponding debit or credit to remeasurement gains (losses) on retirement liabilities' under OCI in the period in which they arise. Remeasurements are not reclassified to the statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Employee Leave Entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period. For leave entitlements expected to be settled for more than twelve months after the reporting date, the estimated liability is actuarially determined and reported under 'Trade and other payables' in the statement of financial position.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

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

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

Company as a lessee
Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense under statement of income on a straight-line basis over the lease term.

Finance leases
The Company recognizes its rights of use and obligations under finance leases as assets and liabilities in its statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, determined at the inception of the lease. Payments for finance lease liability are apportioned between interest expense and reduction of outstanding liability.

Income Taxes
Current tax
Current tax assets and current tax liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax

laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which deductible temporary differences and carryforward of unused excesss MCIT over RCIT and NOLCO can be utilized.

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

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are applicable to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognized directly in equity is recognized in OCI, and not in the statement of income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and such deferred taxes relate to the same taxable entity and the same taxation authority.

Value-Added Tax (VAT)
Revenue, expenses and assets are recognized net of the amount of VAT except:

- Where the VAT incurred on the purchase of an asset or service is not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT payable from the tax authority is recorded under 'VAT payable' in the statement of financial position.

<u>Capital Stock</u>
Capital stock is measured at par value for all shares issued and outstanding. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax. The subscribed capital stock is reported in equity less the related subscription receivable not collectible currently.

Retained Earnings
Retained earnings represent cumulative balance of periodic net income or loss, dividend distribution, if any, to the shareholders, prior period adjustments, effect of changes in accounting policy and all other capital adjustments.

Provisions and Contingencies
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an 'Interest expense' in the statement of income.

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

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

Standards Issued but not yet Effective
The standards and interpretations that are issued but not yet effective up to date of issuance of the Company's financial statements are listed below. The Company intends to adopt these standards when they become effective. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements to have a significant impact on its financial statements.

Effective beginning on or after January 1, 2017
- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*
- Amendments to PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses*

Effective beginning on or after January 1, 2018
- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*
- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

Pronouncements that are deemed to have significant impact on the financial statements of the Company are described below:

- PFRS 9, *Financial Instruments*
  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory.

  The adoption of PFRS 9 will have an effect on the classification and measurement, impairment methodology and credit losses of the Company's financial assets, but will have no impact on the classification and measurement of the Company's financial liabilities.

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Company plans to adopt the new standard on the required effective date but has yet to assess the method of application.

  The Company is currently assessing the impact of adopting this standard.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*
  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, Leases. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The Company is currently assessing the impact of adopting this standards.

Deferred effectivity

Amendments to PFRS 10 and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

3. **Significant Accounting Judgments and Estimates**

The preparation of financial statements in accordance with PFRS requires the Company to make judgments and estimates that affect the reported amounts of assets, liabilities, income, and expenses, and disclosures relating to contingent assets and contingent liabilities. Future events may occur which may cause the assumptions used in arriving at the estimates to change.

The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable. Judgments and estimates are continually evaluated and are based on expectations of future events that are believed to be reasonable under the circumstances. Critical judgments and estimates that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

Estimates

a. *Present value of retirement obligation*
The determination of the Company's retirement cost is dependent on certain assumptions used by the actuary in calculating such amount. Those assumptions are described in Note 18 to the financial statements and include, among others, discount rate, future salary increase and average remaining working lives of employees. While management believes that the assumptions are reasonable and appropriate, significant differences in the Company's actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligation.

   As at December 31, 2016 and 2015, the present value of retirement obligation and fair value of plan assets of the Company are disclosed in Note 18.

b. *Impairment of trade and other receivables*
The Company assesses its trade and other receivables for impairment at each reporting date. In determining whether a credit loss should be recorded in the statement of income, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from its receivable. This evidence may include observable data indicating that there has been an adverse change in the payment status of its debtors. Trade receivables and other receivables and its corresponding allowance for impairment are disclosed in Note 6.

c. *Recognition of deferred tax assets*
The amount of deferred tax asset recognized by the Company is based on the estimate of future taxable income. Significant management judgment is required to determine the amount of deferred tax asset that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning.

   The Company reviews the carrying amount of deferred tax asset at each reporting date and reduces this to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax asset to be utilized. Recognized deferred tax assets are disclosed in Note 20 to the financial statements.

As at December 31, 2016 and 2015, management assessed that there is no significant accounting judgment exercised with respect to the preparation of the financial statements.

4. **Financial Risk Management Objectives and Policies**

Integral to the Company's business process is risk management. The Company operates an integrated risk management system to address the risk it faces in its financial activities particularly credit risk and liquidity risk. The Company is not exposed to any market risk. Exposures across these risks areas are regularly identified, measured, controlled, monitored and reported to the Board of Directors (BOD). The BOD directs the Company's overall risk management strategy and performs an oversight function on the Company's implementation of its risk policies. Furthermore, the BOD reviews, approves and ensures effective implementation of the risk management framework.

It approves risk-related policies, oversees limits to discretionary authority that delegates to management and evaluate the magnitude, distribution and direction of risk in the Company.

Credit Risk
Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due.

Maximum exposure to credit risk
The maximum exposure of the Company's financial instruments is equivalent to the carrying values as reflected in the statements of financial position and related notes.

The Company holds no collateral and other credit enhancements against its credit risk exposure as at December 31, 2016 and 2015.

As at December 31, 2016 and 2015, the Company has no financial instruments with rights of set-off in accordance to PAS 32. There are also no financial instruments that are subject to an enforceable master netting arrangements or similar agreements which require disclosure in the financial statements in accordance with amendments on PFRS 7.

Concentration of credit risk
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The tables below show the distribution of maximum credit exposure of the Company by industry sector as at December 31, 2016 and 2015:

	2016			
	Cash in banks	Trade and other receivables*	Other assets**	Total
Financial institutions	₱15,410,494	₱48,399	₱–	₱15,458,893
Consumers	–	6,265,412	–	6,265,412
Insurance	–	1,883,015	–	1,883,015
Others	–	–	173,449	173,449
Total	₱15,410,494	₱8,196,826	₱173,449	₱23,780,769

**Includes unliquidated cash advances, medicine loans and health premiums paid by the Company for the employees' dependents*
***Consists of refundable rental deposits*

	2015			
	Cash in banks	Trade and other receivables*	Other assets**	Total
Financial institutions	₱16,916,932	₱27,316	₱–	₱16,944,248
Consumers	–	3,047,997	–	3,047,997
Insurance	–	966,056	–	966,056
Others	–	–	411,047	411,047
Total	₱16,916,932	₱4,041,369	₱411,047	₱21,369,348

**Includes unliquidated cash advances, medicine loans and health premiums paid by the Company for the employees' dependents*
***Consists of refundable rental deposits*

Credit quality per class of financial assets
Standard grade are bank deposits and receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay but with higher probability of default than those classified under high grade.

The tables below show the credit quality per class of financial assets (gross of allowance for credit and impairment losses) as at December 31, 2016 and 2015

	2016			
	High grade	**Standard grade**	**Past due but not impaired**	**Impaired**
Cash	**₱–**	**₱15,649,604**	**₱–**	**₱–**
Trade receivables	**–**	**8,001,844**	**–**	**–**
Other receivables	**–**	**83,313**	**–**	**111,669**
Net Undiscounted Cash Flows	**₱–**	**₱23,734,761**	**₱–**	**₱111,669**

	2015			
	High grade	Standard grade	Past due but not impaired	Impaired
Cash	₱–	₱17,176,458	₱–	₱–
Trade receivables	–	3,778,416	–	–
Other receivables	–	263,223	–	–
Net Undiscounted Cash Flows	₱–	₱21,218,097	₱–	₱–

<u>Liquidity Risk</u>
Liquidity risk is the risk arising from potential inability to meet obligations when they become due at a reasonable cost and timely manner. The Company manages liquidity risk by assessing the gap for additional funding and determining the best source and cost of funds on a monthly basis. To ensure sufficient liquidity, the Company sets aside funds to pay currently maturing obligations. These funds are placed in credible banks. Monitoring of daily cash position is being done to guide the management in making sure that sufficient liquidity is maintained. The Treasury Committee of CARD-MRI reviews the liquidity position of the Company on a monthly basis.

The tables below summarize the maturity profile of the financial instruments of the Company based on contractual undiscounted cash flow as at December 31, 2016 and 2015:

	2016			
	On demand	**Due within 1 year**	**Due beyond 1 year**	**Total**
Financial Assets				
Cash	**₱11,166,539**	**₱4,483,065**	**₱–**	**₱15,649,604**
Trade and other receivables	**–**	**8,085,157**	**–**	**8,085,157**
	11,166,539	**12,568,222**	**–**	**23,734,761**
Financial Liabilities				
Trade payables	**–**	**1,197,968**	**–**	**1,197,968**
Accrued expenses	**–**	**416,834**	**–**	**416,834**
Finance lease payable	**–**	**89,332**	**29,776**	**119,108**
	–	**1,704,134**	**29,776**	**1,733,910**
Net Undiscounted Cash Flows	**₱11,166,539**	**₱10,864,088**	**(₱29,776)**	**₱22,000,851**

	2015			
	On demand	Due within 1 year	Due beyond 1 year	Total
Financial Assets				
Cash	₱12,821,430	₱4,355,028	₱–	₱17,176,458
Trade and other receivables	–	4,041,369	–	4,041,369
	12,821,430	8,396,397	–	21,217,827
Financial Liabilities				
Accounts payable	–	4,242,115	–	4,242,115
Accrued expenses	–	1,062,863	–	1,062,863
Finance lease payable	–	89,332	119,109	208,441
	–	5,394,310	119,109	5,513,419
Net Undiscounted Cash Flows	₱12,821,430	₱3,002,087	(₱119,109)	₱15,704,408

5. Cash and Cash Equivalents

This account consists of:

	2016	2015
Cash on hand	**₱239,110**	₱259,526
Cash in banks	**10,927,429**	12,561,904
Cash equivalents	**4,483,065**	4,355,028
	₱15,649,604	₱17,176,458

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents represents time deposits with terms of 30 to 90 days replacements which bear annual interest rates of 3.50% in 2016 and 2015.

Interest earned on cash and cash equivalents amounted to ₱0.21 million and ₱0.20 million in 2016 and 2015, respectively.

6. Trade and Other Receivables

This account consists of:

	2016	2015
Trade receivables (Note 21)	**₱8,001,844**	₱3,778,416
Other receivables	**194,982**	263,223
	8,196,826	4,041,639
Allowance for probable losses (Note 15)	**(111,669)**	–
	₱8,085,157	₱4,041,369

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days from the sale of goods. Other receivables are due from the Company's employees in the form of unliquidated cash advances, medicine loans, and health premiums paid by the Company for the employee's dependents.

The Company recognized provision for probable losses on other receivables amounting to ₱0.11 million and nil for 2016 and 2015, respectively.

7. Inventories

This account consists of branded and generic medicines, health and beauty products and other pharmaceutical items as follows:

	2016	2015
Cost	**₱6,039,487**	₱9,725,905
Allowance for inventory loss (Note 15)	**(560,398)**	(251,939)
	₱5,479,089	₱9,473,966

In 2015, the Company did not recognize any provision for inventory loss. In 2016, additional allowance for inventory loss amounting to ₱0.31 million has been recognized.

As at December 31, 2016 and 2015, the Company recognized provision for inventory loss amounting to ₱0.31 million and nil, respectively.

Inventories recognized as part of cost of sales in the statements of income amounted to ₱29.17 million and ₱24.57 million in 2016 and 2015, respectively (Note 14).

8. Other Assets

Other current assets consist of the following:

	2016	2015
Refundable rental deposit	**₱378,212**	₱–
Prepaid insurance	**59,018**	192,761
	₱437,230	₱192,761

Other noncurrent assets consist of the following:

	2016	2015
Refundable rental deposit	**₱173,449**	₱411,047
Advance rent	**285,134**	369,388
	₱458,583	₱780,435

Refundable rental deposits pertain to initial payments of operating lease arrangements on branch premises and transportation and information technology equipment which are recoverable at the end of the lease term.

Advance rent pertains to required payment at the commencement of the lease to be applied to the last months of the lease term.

9. Property and Equipment

The composition of and movements in this account follow:

	2016				
	Leasehold Improvements	**Office Equipment**	**Office Furniture and Fixtures**	**Transportation Equipment**	**Total**
Cost					
Balance at beginning of year	**₱1,740,418**	**₱1,819,675**	**₱200,555**	**₱–**	**₱3,760,648**
Additions	**178,886**	**29,840**	**–**	**–**	**208,726**
Disposals	**(793,010)**	**(35,000)**	**–**	**–**	**(828,010)**
Reclassification (Note 10)	**–**	**(129,526)**	**–**	**–**	**(129,526)**
Balance at end of year	**1,126,294**	**1,684,989**	**200,555**	**–**	**3,011,838**
Accumulated Depreciation					
Balance at beginning of year	**1,093,458**	**1,277,606**	**100,632**	**–**	**2,471,696**
Depreciation (Notes 15 and 16)	**428,815**	**198,123**	**39,728**	**–**	**666,666**
Disposals	**(733,118)**	**(34,999)**	**–**	**–**	**(768,117)**
Reclassification (Note 10)	**–**	**(5,654)**	**–**	**–**	**(5,654)**
Balance at end of year	**789,155**	**1,435,076**	**140,360**	**–**	**2,364,591**
Net Book Value	**₱337,139**	**₱249,913**	**₱60,195**	**₱–**	**₱647,247**

	2015				
	Leasehold Improvements	Office Equipment	Office Furniture and Fixtures	Transportation Equipment	Total
Cost					
Balance at beginning of year	₱1,569,688	₱1,338,054	₱96,230	₱1,101,884	₱4,105,856
Additions	581,669	481,621	104,325	–	1,167,615
Disposals	(410,939)	–	–	(1,101,884)	(1,512,823)
Balance at end of year	1,740,418	1,819,675	200,555	–	3,760,648
Accumulated Depreciation					
Balance at beginning of year	1,085,334	972,036	73,090	948,845	3,079,305
Depreciation (Notes 15 and 16)	419,063	305,570	27,542	–	752,175
Disposals	(410,939)	–	–	(948,845)	(1,359,784)
Balance at end of year	1,093,458	1,277,606	100,632	–	2,471,696
Net Book Value	₱646,960	₱542,069	₱99,923	₱–	₱1,288,952

In 2015, the Company recognized office equipment amounting to ₱0.21 million from its finance lease agreement with RISE Financing Company, Inc. (see Note 19).

As at December 31, 2016 and 2015, the Company recognized net gain on retirement of asset amounting to ₱0.89 million and ₱0.11 million, respectively.

Depreciation expenses are classified as general and administrative expense when the property and equipment are stationed in the head office and classified as selling and distribution expense when the property and equipment are stationed in the various branches. Breakdown of depreciation expense are as follows:

	2016	2015
General and administrative expense (Note 15)	**₱431,696**	₱274,475
Selling and distribution expense (Note 16)	**234,970**	477,700
	₱666,666	₱752,175

10. **Intangible Assets**

The movements in this account follow:

	2016	2015
Cost		
Balance at beginning of year	**₱–**	₱–
Additions	**55,511**	–
Reclassification (Note 9)	**129,526**	–
Balance at end of year	**185,037**	–
Accumulated Amortization		
Balance at beginning of year	**–**	–
Amortization (Notes 15 and 16)	**58,081**	–
Reclassification (Note 9)	**5,654**	–
Balance at end of year	**63,735**	–
Net book value	**₱121,302**	₱–

Amortization expenses are classified as general and administrative expense when the intangible assets are stationed in the head office and classified as selling and distribution expense when the intangible assets are stationed in the various branches. Breakdown of amortization expense are as follows:

	2016	2015
Selling and distribution expense (Note 16)	**₱41,486**	₱–
General and administrative expense (Note 15)	**16,595**	–
	₱58,081	₱–

11. **Trade and Other Payables**

This account consists of:

	2016	2015
Financial liabilities		
Trade payables (Note 21)	**₱1,197,968**	₱4,242,115
Accrued expenses	**416,834**	1,062,863
	1,614,802	5,304,978
Nonfinancial liability		
Accrued vacation leaves	**215,025**	603,434
Others	**54,755**	269,442
	269,780	872,876
	₱1,884,582	₱6,177,854

Trade payables arise from purchases of goods and services in the normal course of business. These are non-interest bearing and are normally settled within 30 to 90 days.

Accrued expense consists of unpaid professional fees, program monitoring and evaluation, transportation and travel expenses, accumulated and monetized vacation leave credits, and unpaid bonuses.

Others consist of liabilities due to various government institutions such as withholding taxes, SSS, Philhealth and Pag-ibig fund.

VAT payable
VAT payable pertains to the excess of the output VAT from sales over the input VAT from purchases of goods and services. The Company has outstanding VAT payable amounting to ₱0.48 million and ₱0.67 million as at December 31, 2016 and 2015, respectively.

12. **Equity**

Capital Stock
The Company's capital stock consists of:

	2016		2015	
	Shares	**Amount**	Shares	Amount
Common stock - ₱5 par value, 20,000,000 authorized shares				
Issued and outstanding	**2,000,000**	**₱10,000,000**	2,000,000	₱10,000,000
Subscribed	**8,000,000**	**40,000,000**	4,500,000	22,500,000
Subscription receivable	**(5,535,900)**	**(27,679,500)**	(2,353,500)	(11,767,500)
	4,464,100	**₱22,320,500**	4,146,500	₱20,732,500

Movements in capital stock follow:

	2016		2015	
	Shares	Amount	Shares	Amount
Common stock at beginning of year	**4,146,500**	**₱20,732,500**	2,000,000	₱10,000,000
Issuances of shares of stocks from settlement of subscriptions receivables	**317,600**	**1,588,000**	2,146,500	10,732,500
Common stock at end of year	**4,464,100**	**₱22,320,500**	4,146,500	₱20,732,500

Increase on Capital
On September 3, 2011, the BOD and the stockholders approved and ratified the increase in the Company's capitalization from ₱10.00 million to meet the Company's demand for expansion. On March 30, 2015, the application for the increase in capital stock was filed by the Company with SEC. The Company's application was subsequently approved by the SEC on May 19, 2015.

Capital Management
The Company's capital management aims to ensure that it maintains strong credit ratings and healthy capital ratios in order to support and sustain its business growth towards maximizing the shareholders' value.

The Company considers total equity as its capital. The Company is not subject to any externally imposed regulatory capital requirements.

13. Net Sales

The composition of net sales is as follows:

	2016	2015
Branch sales	**₱36,518,485**	₱30,314,599
Head office sales (Note 21)	**26,098,212**	25,288,163
Gross sales	**62,616,697**	55,602,762
Sales discount	**(2,910,657)**	(3,481,923)
Sales returns	**(2,125)**	(4,098)
Net sales	**₱59,703,915**	₱52,116,741

Branch sales pertain to revenue earned through the retail outlets of the Company. Head office sales relate to CARD-MRI Disaster Relief Assistance Program (CDRAP), where the Company supplies medicine and other related goods for disaster relief operations and community health projects of other CARD-MRI entities.

14. Cost of Sales

The rollforward analysis of this account follows:

	2016	2015
Inventories at beginning of year	**₱9,473,966**	₱8,803,304
Purchases during the year	**25,172,836**	25,237,699
Inventories available for sale	**34,646,802**	34,041,003
Inventories at end of year (Note 7)	**(5,479,089)**	(9,473,966)
	₱29,167,713	₱24,567,037

15. **General and Administrative Expenses**

This account consists of:

	2016	2015
Personnel expenses (Note 17)	**₱6,691,141**	₱6,806,255
Information technology	**1,670,355**	278,381
Transportation and travel	**1,095,570**	428,456
Janitorial, messengerial, and security	**1,029,887**	739,914
Seminars and meetings	**901,438**	313,208
Program monitoring and evaluation	**623,571**	256,215
Rental (Note 19)	**466,509**	406,739
Depreciation (Note 9)	**431,696**	274,475
Staff training and development	**414,795**	421,740
Professional fees	**401,240**	650,871
Provision for inventory losses (Note 7)	**308,459**	–
Utilities	**272,450**	203,433
Supplies and materials	**185,435**	143,494
Taxes and licenses	**153,585**	345,162
Provision for probable losses (Note 6)	**111,669**	–
Supervision and examination	**105,976**	209,622
Interest expense (Note 21)	**25,070**	20,556
Representation and entertainment (Note 20)	**19,142**	52,611
Amortization (Note 10)	**16,595**	–
Miscellaneous	**323,722**	272,885
	₱15,248,305	₱11,824,017

16. **Selling and Distribution Expenses**

This account consists of:

	2016	2015
Personnel expenses (Note 17)	**₱10,070,987**	₱10,132,100
Rental (Note 19)	**1,639,156**	1,888,019
Transportation and travel	**998,635**	467,668
Utilities	**512,894**	375,625
Supplies and materials	**285,789**	191,150
Information technology	**269,766**	279,950
Taxes and licenses	**235,589**	164,821
Depreciation (Note 9)	**234,970**	477,700
Communication and postage	**197,608**	210,443
Staff training and development	**100,754**	103,830
Amortization (Note 10)	**41,486**	–
Representation and entertainment (Note 20)	**425**	1,200
Miscellaneous	**139,560**	283,816
	₱14,727,619	₱14,576,322

17. **Personnel Expenses**

This account consists of:

	2016	2015
Salaries and wages	**₱8,575,396**	₱9,122,146
Employee benefits	**6,495,780**	7,258,759
Retirement benefits (Note 18)	**1,690,952**	557,450
	₱16,762,128	₱16,938,355

The distributions of personnel expenses are as follows:

	2016	2015
Selling and distribution expenses (Note 16)	**₱10,070,987**	₱10,132,100
General and administrative expenses (Note 15)	**6,691,141**	6,806,255
	₱16,762,128	₱16,938,355

18. **Retirement Benefits**

The Company, CARD MRI Development Institute, Inc. (CMDI), CARD Mutual Benefit Association (MBA), Inc., CARD SME Bank, Inc., CARD MRI Insurance Agency (CAMIA), Inc., CARD Business Development Service Foundation (BDSF), Inc., CARD MRI Information Technology, Inc. (CMIT), CARD Bank, Inc., CARD Leasing and Finance Corporation (CLFC), Rizal Bank, Inc. (RBI), CARD Employees Multi-Purpose Cooperative (EMPC), Responsible Investments for Solidarity and Empowerment Financing Company, Inc. and CARD, Inc. maintain a funded and formal noncontributory defined benefit retirement plan - the CARD MRI Multi-Employer Retirement Plan (MERP) - covering all of their regular employees. MERP has a projected unit cost format and is financed solely by the Company and its related parties. MERP complies with the requirement of Republic Act No. 7641 (Retirement Law). MERP provides lump sum benefits equivalent to 120.00% of final salary for every year of credited service, a fraction of at least six (6) months being considered as one whole year upon retirement, death, total and permanent disability, or early retirement after completion of at least one year of service with the participating companies. MERP and Hybrid Plan comply with the requirements of Republic Act No. 7641 (Retirement Law). MERP provides lump sum benefits equivalent to up to 120% of final salary for every year of credited service, a fraction of at least six (6) months being considered as one whole year, upon retirement, death, total and permanent disability, or voluntary separation after completion of at least one year of service with the participating companies.

Hybrid Plan provides a retirement benefit equal to 100.00% of the member’s employer accumulated value (the Company’s contributions of 8.00% plan salary to Fund A plus credited earnings) and 100.00% of the Member’s Employee accumulated value (member’s own contributions up to 10.00% of plan salary to Fund B plus credited earnings), if any. Provided that in no case shall 100.00% of the Employee Accumulated Value in Fund A be less than 100.00% of plan salary for every year of credited service.

The Company has no employees which are part of Hybrid Plan as at December 31, 2016.

The latest actuarial valuation report covers reporting period as at December 31, 2016.

Changes in retirement liability (asset) in 2016 and 2015 are as follows:

	2016													
		Net benefit cost in statement of income*					**Remeasurements in other comprehensive income**							
	January 1	**Current service cost**	**Net interest**	**Subtotal**	**Benefits paid**	**Transfers to the plan**	**Return on plan assets (excluding amount included in net interest)**	**Actuarial changes arising from experience adjustments**	**Actuarial changes arising from changes in demographic assumptions**	**Actuarial changes arising from changes in financial assumptions**	**Effect of asset ceiling**	**Subtotal**	**Contribution by employer (Note 21)**	**December 31**
Present value of defined benefit obligation	**₱9,119,145**	**₱1,582,891**	**₱459,605**	**₱2,042,496**	**(₱22,853)**	**(₱142,361)**	**₱–**	**(₱3,808,387)**	**(₱312,619)**	**(₱3,406,191)**	**₱–**	**(₱7,527,197)**	**₱–**	**₱3,469,230**
Fair value of plan assets	**(6,057,692)**	**–**	**(351,544)**	**(351,544)**	**22,853**	**142,361**	**208,756**	**–**	**–**	**–**	**828,804**	**1,037,560**	**(2,000,000)**	**(7,206,462)**
Net retirement liability (asset)	**₱3,061,453**	**₱1,582,891**	**₱108,061**	**₱1,690,952**	**₱–**	**₱–**	**₱208,756**	**(₱3,808,387)**	**(₱312,619)**	**(₱3,406,191)**	**₱828,804**	**(₱6,489,637)**	**(₱2,000,000)**	**(₱3,737,232)**

**The net benefit cost is recorded as part of 'Personnel expenses' under 'General and Administrative Expenses' in the statements of income.*

	2015													
		Net benefit cost in statement of income*					Remeasurements in other comprehensive income							
	January 1	Current service cost	Net interest	Subtotal	Benefits paid	Transfers to the plan	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Effect of asset ceiling	Subtotal	Contribution by employer (Note 21)	December 31
Present value of defined benefit obligation	₱3,815,799	₱622,178	₱170,185	₱792,363	₱–	₱565,412	₱–	₱309,064	₱94,323	₱3,542,184	₱–	₱3,945,571	₱–	₱9,119,145
Fair value of plan assets	(4,534,409)	–	(234,913)	(234,913)	–	(565,412)	116,507	–	–	–	(39,465)	77,042	(800,000)	(6,057,692)
Net retirement liability (asset)	(₱718,610)	₱622,178	(₱64,728)	₱557,450	₱–	₱–	₱116,507	₱309,064	₱94,323	₱3,542,184	(₱39,465)	₱4,022,613	(₱800,000)	₱3,061,453

**The net benefit cost is recorded as part of 'Personnel expenses' under 'General and Administrative Expenses' in the statements of income.*

In 2016 and 2015, transfers from the plan pertain to the transfer of employees from the Company to other affiliates within CARD-MRI.

The maximum economic benefit of plan assets available is a combination of expected refunds from the plan and reductions in future contributions. The fair value of plan assets by each class as of the end of the reporting period are as follow:

	2016	2015
Cash and cash equivalents	**₱2,993,564**	₱2,466,086
Government securities	**3,384,154**	2,768,971
Loans and receivables	**544,088**	639,692
Mutual fund	**37,474**	47,250
Other assets	**247,182**	135,693
	₱7,206,462	₱6,057,692

All plan assets do not have quoted prices in an active market except for government securities. Cash and cash equivalents are deposited with reputable financial institutions and related parties that are deemed to be standard grade. Loans and receivables, mutual funds and other assets are unrated.

The plan assets have diverse investments and do not have any concentration risk.

The overall investment policy and strategy of the Company's defined benefit plan is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plans.

The cost of defined benefit retirement plan as well as the present value of the defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension for the defined benefit plans are shown below:

	2016	2015
Discount rate:		
January 1	**5.04%**	4.64%
December 31	**5.86%**	5.04%
Future salary increase	**7.00%**	10.00%

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

	Increase (Decrease) in Present Value of Obligation			
	2016		2015	
	+100	**-100**	+100	-100
Discount rates	**(₱547,929)**	**₱686,930**	(₱1,835,288)	₱2,373,187
Future salary increases	**633,375**	**(519,716)**	2,132,237	(1,712,748)

The Company plans to contribute ₱1.50 million to the defined benefit retirement plan in 2016.

The average duration of the DBO is 17.8 years as at December 31, 2016.

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

	2016	2015
Less than 1 year	**₱74,677**	₱–
More than 1 year to 5 years	**463,501**	–
More than 5 years to 10 years	**1,178,895**	–

19. **Leases**

Operating Lease Agreement
As at December 31, 2016, the Company has 16 outstanding lease contracts for the lease of branch premises with original lease terms ranging from 3 years to 5 years and are renewable upon mutual agreement.

The distribution of rental expense are as follows:

	2016	2015
Selling and distribution expenses (Note 16)	**₱1,639,156**	₱1,888,019
General and administrative expenses (Note 15)	**466,509**	406,739
	₱2,105,665	₱2,294,758

The minimum lease payments for branch premises in 2016 and 2015 are as follows:

	2016	2015
Within one year	**₱1,539,909**	₱1,731,169
Beyond one year but not more than five years	**1,985,482**	752,493
	₱3,525,391	₱2,483,662

Finance Lease Agreement
The Company entered into lease agreements with RISE Financing Company, Inc. covering the office equipment with original term of 3 years and with acquisition cost amounting to ₱0.21 million in 2015.

Future aggregate minimum lease payments under lease of branch premises as at December 31, 2016 and 2015 are as follows:

	2016	2015
Within one year	**₱89,332**	₱89,332
After one year but not more than five years	**29,776**	119,109
Total minimum lease payments	**119,108**	208,441
Less amounts representing finance lease charges	**14,345**	39,415
Present value of minimum lease payments	**104,763**	169,026
Less current portion	**76,541**	89,332
Noncurrent portion	**₱28,222**	₱79,694

The lease agreement provide implicit interest of 18.36% annually.

The minimum lease payments are as follows:

	Within one year	Beyond one year	Total
Principal repayments	₱89,332	₱29,776	₱119,108
Finance charges	12,791	1,554	14,345
Total minimum lease payments	₱76,541	₱28,222	₱104,763

20. **Income Taxes**

Current tax regulations provides that RCIT rate shall be 30.00%. Interest expense allowed as a deductible expense is reduced by 33.00% of interest income subjected to final tax.

In addition, effective September 1, 2002, Revenue Regulation No. 10-2002 provides for the ceiling on the amount of entertainment, amusement and recreation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulation, EAR allowed as a deductible expense is limited to the actual EAR paid or incurred (recorded under 'Representation and entertainment' in the statements of income) but not to exceed 0.50% of net revenue for companies engaged in the sale of goods. The deductible representation and entertainment expense amounted to ₱0.02 million and ₱0.05 million in 2016 and 2015, respectively.

An MCIT of 2.00% on modified gross income is computed and compared with RCIT. Any excess of MCIT over RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. Imposition of MCIT will commence on the Company's fourth taxable year immediately following the year in which the Company commenced its business operations. The Company is subjected to MCIT beginning 2014. In addition, NOLCO is allowed as a deduction from taxable income in the next three years from the period of incurrence.

Under Philippine tax laws, the Company is subject VAT and subject to other taxes (presented as 'Taxes and licenses' in the statements of income) as well as income taxes.

The provision for income tax consists of:

	2016	2015
Current:		
Regular	**₱604,345**	₱305,551
Final	**40,988**	40,091
Excess of MCIT over RCIT	**28,042**	252,980
	673,375	598,622
Deferred	**(759,888)**	(104,767)
	(₱86,513)	₱493,855

Components of deferred tax assets (liabilities) are as follows:

	2016	2015
Deferred tax liability		
Retirement asset	**(₱1,121,170)**	₱–
Advance rent	**(110,816)**	(110,816)
	(1,231,986)	(110,816)
Deferred tax assets		
Unamortized past service cost	**267,346**	267,346
Allowance for inventory loss and probable loss	**75,581**	75,581
Accumulated vacation leave	**64,508**	130,341
	407,435	473,268
	(₱824,551)	₱362,452

The ultimate realization of deferred tax assets is dependent on the generation of future taxable income. The Company considers projected future taxable income, reversal of temporary differences, and tax planning strategies in making the assessment based on the historical income and projections of future taxable income.

The Company believes that portion of the deferred tax assets may not be realized in the future. Accordingly, the Company did not set up deferred tax assets on the following:

	2016	2015
Excess MCIT over RCIT	**₱281,022**	₱252,980
Allowance for inventory loss and probable loss	**126,039**	–
Unamortized past service cost	**66,710**	18,307
Retirement liability	**–**	918,436
Accumulated vacation leave	**–**	50,690
	₱473,771	₱1,240,413

Deferred income tax related to remeasurement gain (loss) taken to OCI amounted to ₱1.95 million and nil in 2016 and 2015, respectively.

The Company incurred MCIT amounting to ₱28,042 and ₱252,980 for 2016 and 2015, which it can use against income tax liability for the next three years (until 2019 and 2018), respectively.

Reconciliation of the statutory income tax to the effective income tax follows:

	2016	2015
Statutory income tax	**₱645,476**	₱472,091
Income tax effects of:		
Interest income subject to final tax	**(20,494)**	(20,045)
Change in unrecognized DTA	**(759,888)**	33,628
Nondeductible expenses	**48,393**	8,181
Effective income tax	**(₱86,513)**	₱493,855

21. **Related Party Transactions**

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance or the relationship, and not merely the legal form.

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Company's related parties include:

- key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members;
- post-employment benefit plans for the benefit of the Company's employees; and
- other related parties within the CARD-MRI Group.

Transactions with retirement plans

Under PFRS, certain post-employment benefit plans are considered as related parties. CARD-MRI's MERP is a stand-alone entity assigned in facilitating the contributions to retirement starting 2005.

Remunerations of Directors and Other Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Company considers the BOD and senior management to constitute key management personnel for purposes of PAS 24.

The remuneration of the members of key management included under 'Personnel expenses' in the statements of income are as follows:

	2016	2015
Salaries and other short-term benefits	**₱1,469,190**	₱1,849,631
Post-employment benefits	**1,198,443**	1,160,904
	₱2,667,633	₱3,010,535

Other related party transactions

Transactions between the Company and its key management personnel meet the definition of related party transactions. Transactions between the Company and its affiliates within the CARD-MRI, also qualify as related party transactions.

Related party transactions and balances as at year end for the years under December 31, 2016 and 2015 are as follows:

Category	Amount / Volume	Outstanding Balance	Nature, Terms and Conditions
	December 31, 2016		
Stockholder			
Trade receivable		**₱1,883,015**	Pertains to sale of medicines and expenses incurred in community visits.
Billings	**₱21,142,891**		
Collections	**(20,243,802)**		
Trade payable		**10,813**	Pertains to share in expenses and rental payments.
Charges	**1,116,510**		
Payments	**(1,106,197)**		
Affiliates			
Cash in bank		**8,113,347**	This pertains to checking and savings account with annual interest rate ranging from 0.5% to 1.8%.
Deposits	**49,221,848**		
Withdrawals	**(48,886,934)**		
Interest income	**154,500**		This pertains to interest earned from savings account, current account and time deposits.
Trade receivable		**6,118,829**	Pertains to sale of medicines and supplies and expenses incurred in community visits.
Billings	**15,926,608**		
Collections	**(9,817,225)**		
Trade payable		**–**	Pertains to lease of vehicle, service charges and share in expenses.
Charges	**3,834,559**		
Payments	**(3,836,680)**		
Finance lease payable		**104,763**	Pertains to lease of office computers.
Additions	**–**		
Payments	**64,263**		
Interest expense	**25,070**		Pertains to interest on finance lease liability.
Retirement plan			
Contributions		**2,000,000**	Pertains to the funded and formal noncontributory defined benefit retirement plan of the Company that is handled by CARD MERP (see Note 18)

Category	Amount / Volume	Outstanding Balance	Nature, Terms and Conditions
	December 31, 2015		
Stockholder			
Trade receivable		₱983,926	Pertains to sale of medicines and expenses incurred in community visits.
Billings	₱18,148,039		
Collections	(17,171,717)		
Trade payable		500	Pertains to share in expenses.
Charges	1,219,109		
Payments	(1,218,609)		
Affiliates			
Cash in bank		7,778,433	This pertains to checking. savings account and time deposit with annual interest rate ranging from 0.5% to 1.8%.
Deposits	48,239,001		
Withdrawals	(49,413,258)		
Interest income	190,289		This pertains to interest earned from savings account, current account and time deposits.
Trade receivable		9,446	Pertains to sale of medicines.
Billings	4,820,544		
Collections	(4,814,276)		
Trade payable		2,121	Pertains to lease of office computers, vehicle, service charges and share in expenses.
Charges	287,936		
Payments	(341,374)		
Finance lease payable		169,026	Pertains to lease of office computers.
Additions	208,025		
Payments	38,999		
Interest expense	20,556		Pertains to interest on finance lease liability.
Retirement plan			
Contributions		800,000	Pertains to the funded and formal noncontributory defined benefit retirement plan of the Company that is handled by CARD MERP (see Note 18)

No provision for credit losses were recognized on related party receivables for the years ended December 31, 2016 and 2015.

22. Approval of the Financial Statements

The accompanying financial statements of the Company were authorize for issue by the BOD on April 10, 2017.

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

On November 25, 2010, the Bureau of Internal Revenue (BIR) issued RR 15-2010 prescribing the manner of compliance in connection with the preparation and submission of financial statements accompanying the tax returns. It includes provisions for additional disclosure requirements in the notes to the financial statements, particularly on taxes, duties and licenses paid or accrued during the year.

Value-added Tax (VAT)

The National Internal Revenue Code of 1997 also provides for the imposition of VAT on sales of goods and services. Accordingly, the Company's sales are subject to output VAT while its purchases from other VAT-registered individuals or corporations are subject to input VAT. VAT rate is 12.00%, effective February 1, 2006. The Company's application for VAT registration has already been approved on May 6, 2013.

Output VAT declared in the Company's VAT return filed in 2016 amounted to ₱7.16 million.

Details of the Company's input tax claimed during 2016 are as follows:

Balance at beginning of period	₱–
Current year's purchases of:	
Goods other than capital goods	89,079
Services	258,528
Total input VAT available	347,607
Claims against output VAT	(347,607)
Balance of input VAT at end of period	₱–

Taxes and Licenses

The components of 'Taxes and licenses' recognized in the statement of income in 2016 follow:

Business permits and licenses	₱216,795
Documentary stamp taxes	5,692
Others	166,687
	₱389,174

Withholding Taxes

The taxes withheld paid and accrued which are reported as part of ‘Other payables’ as at December 31, 2016 are as follow:

	Paid	Accrued
Withholding tax on compensation and benefits	₱569,225	₱29,934
Expanded withholding tax	500,191	14,406
	₱1,069,416	₱44,340

Tax Assessments and Cases

As at December 31, 2016, the Company has no outstanding final assessment notice from the BIR or cases in any court or bodies outside the BIR.