BOTICARD INC.

Financial Statements

December 31, 2019
(With Comparative Figures for December 31, 2018)

and

Independent Auditor's Report

ENDRIGA, MANANGU & ASSOCIATES
Certified Public Accountants

BOTICARD INC.

STATEMENT OF FINANCIAL POSITION
(With Comparative Figures as of December 31, 2018)

			December 31		
	Notes		**2019**		2018
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	*2, 4*	**P**	**40,827,861**	P	26,801,279
Trade and other receivables - net	*2, 5*		**4,864,613**		13,996,990
Inventories	*2, 3, 6*		**8,049,785**		10,344,218
Other current assets	*7*		**161,594**		438,929
Total Current Assets			**53,903,853**		51,581,416
NONCURRENT ASSETS					
Property and equipment - net	*2, 8*		**1,586,339**		732,217
Intangible assets - net	*2, 9*		**661,115**		3,898
Retirement asset	*2, 15*		**4,289,524**		3,486,803
Other noncurrent assets	*7*		**406,838**		293,837
Total Noncurrent Assets			**6,943,816**		4,516,755
TOTAL ASSETS		**P**	**60,847,669**	P	56,098,171
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Trade and other payables	*2, 10*	**P**	**10,416,129**	P	18,288,713
Income tax payable	*2, 17*		**672,047**		-
Total Current Liabilities			**11,088,176**		18,288,713
NONCURRENT LIABILITY					
Deferred tax liability	*2, 17*		**-**		745,659
Total Noncurrent Liability			**-**		745,659
EQUITY					
Capital stock	*2, 11*		**36,801,300**		29,467,410
Retained earnings			**12,958,193**		6,058,055
Remeasurement gain on retirement plan			**-**		1,538,334
Total Equity			**49,759,493**		37,063,799
TOTAL LIABILITIES AND EQUITY		**P**	**60,847,669**	P	56,098,171

See accompanying Notes to Financial Statements.

BOTICARD INC.

STATEMENT OF COMPREHENSIVE INCOME

(With Comparative Figures for the Year Ended December 31, 2018)

		Years Ended December 31	
	Notes	**2019**	2018
NET SALES	*12*	**P 108,456,797**	P 88,892,449
COST OF SALES	*6*	**64,265,635**	51,833,932
GROSS PROFIT		**44,191,162**	37,058,517
GENERAL AND ADMINISTRATIVE EXPENSES	*13*	**17,720,255**	18,227,536
SELLING AND DISTRIBUTION EXPENSES	*13*	**13,481,232**	11,326,036
OPERATING INCOME		**12,989,675**	7,504,945
OTHER INCOME (CHARGES) - NET	*14*	**1,535,107**	656,549
INCOME BEFORE INCOME TAX		**14,524,782**	8,161,494
PROVISION FOR INCOME TAX	*17*	**3,983,700**	2,103,439
NET INCOME		**10,541,082**	6,058,055
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may not be classified to the statement of income:			
Remeasurement loss on retirement plan		**-**	(190,166)
Income tax effect		**-**	57,050
		-	(133,116)
TOTAL COMPREHENSIVE INCOME		**P 10,541,082**	P 5,924,939

See accompanying Notes to Financial Statements.

BOTICARD INC.

STATEMENT OF CHANGES IN EQUITY

(With Comparative Figures as of December 31, 2018)

			For the Years Ended December 31		
	Notes		**2019**		**2018**
CAPITAL STOCK	*11*	**P**	**36,801,300**		29,467,410
REMEASUREMENT GAIN ON RETIREMENT PLAN			**-**		1,538,334
RETAINED EARNINGS					
Balance at beginning of year			**6,058,055**		1,820,122
Prior period adjustment	*2*		**2,283,993**		-
Adjusted balance			**8,342,048**		1,820,122
Stock dividend declaration			**(4,099,345)**		-
Cash dividend declaration			**(1,825,592)**		(1,820,122)
Net income after income tax			**10,541,082**		6,058,055
Balance at end of year			**12,958,193**		6,058,055
EQUITY	*11*	**P**	**49,759,493**	P	37,063,799

See accompanying Notes to Financial Statements.

BOTICARD INC.

STATEMENT OF CASH FLOWS

(With Comparative Figures for the Year Ended December 31, 2018)

		Years Ended December 31	
	Notes	**2019**	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P 14,524,782**	P 8,161,494
Adjustments for:			
Interest income	*14*	**(679,689)**	(488,054)
Depreciation and amortization	*8, 13*	**470,950**	396,423
Retirement expense	*15*	**110,620**	222,374
Actuarial (gain) loss on retirement plan	*14, 15*	**(817,003)**	133,116
Operating income before working capital changes		**13,609,660**	8,425,353
Changes in operating assets and liabilities			
(Increase) decrease in the amounts of:			
Trade and other receivables	*5*	**9,132,377**	(9,109,831)
Inventories	*6*	**2,294,433**	(5,640,040)
Other assets	*7*	**164,334**	(119,274)
Increase (decrease) in the amounts of:			
Trade and other payables	*10*	**(7,872,584)**	14,739,035
Net cash generated from operations		**17,328,220**	8,295,243
Interest income received	*14*	**679,689**	488,054
Income taxes paid	*17*	**(3,311,653)**	(2,176,896)
Contribution to retirement fund	*15*	**(96,338)**	(27,084)
Net cash provided by operating activities		**14,599,918**	6,446,202
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment	*9*	**(1,191,217)**	(770,844)
Increase in intangible assets	*10*	**(791,072)**	-
Net cash used in investing activities		**(1,982,289)**	(770,844)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid	*11*	**(1,825,592)**	(1,820,122)
Proceeds from issuance of capital stock	*11*	**3,234,545**	724,053
Payment of finance lease liability	*16*	**-**	(28,567)
Net cash flows provided by (used in) financing activities		**1,408,953**	(1,124,636)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**14,026,582**	4,550,722
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**26,801,279**	22,250,557
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 40,827,861**	P 26,801,279

See accompanying Notes to Financial Statements.

1. Company 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 755-B Moret St., Sampaloc, Manila, as amended on April 30, 2018.

The Company has one (1) warehouse and eleven (11) branches and one (1) warehouse and nine (9) branches as of December 31, 2019 and 2018, respectively, located in the Philippines.

2. Summary of Significant Accounting Policies

Basis of Preparation
The Company's financial statements have been prepared under the historical cost basis. The financial statements are presented in Philippine peso (P), which is the Company's functional currency. All amounts are rounded to the nearest peso unless otherwise stated.

Statement of Compliance
The financial statements of the Company have been prepared in accordance with the Philippine Financial Reporting Standards for Small Entities (PFRS for SEs) as approved by the Financial Reporting Standards Council, Board of Accountancy and the Securities and Exchange Commission (SEC).

The financial statements as of and for the year ended December 31, 2019 are the first financial statements prepared by the Company in accordance with the PFRS for SEs. In preparing these financial statements, the Company's opening statement of financial position was prepared as of January 1, 2019, the Company's transition date to the PFRS for SEs from the PFRS for SMEs.

Application of the PFRS for Small Entities

The Company's financial statements for the year ended December 31, 2019 are its first annual financial statements under accounting policies that comply with the PFRS for SEs. The Company prepared its opening PFRS for SEs statement of financial position on January 1, 2019, its transition date.

Reconciliations

The following reconciliations show the effect on the Company's equity of the transition from the PFRS for SMEs to the PFRS for SEs as at January 1, 2019 and December 31, 2018, and the Company's profit and loss for the year ended December 31, 2018.

Reconciliation of equity:

		Jan. 1, 2019		Dec. 31, 2018
Capital Stock	P	29,467,410	P	29,467,410
Retained Earnings (RE):				
Total Retained Earnings under PFRS for SMEs		6,058,055		6,058,055
Transition adjustments:				
Derecognition of deferred taxes		745,659		
Reclassification of Remeasurement gain on retirement plan from an OCI equity item to RE		1,538,334		
		2,283,993		
Total Retained Earnings under PFRS for SEs		8,342,048		
Other Comprehensive Income (OCI) equity item (see above)				1,538,334
Total Equity under PFRS for SMEs			P	37,063,799
Total Equity under PFRS for SEs	P	37,809,458		

Reconciliation of profit and loss:

		Year 2018
Total comprehensive income under PFRS for SMEs	P	5,924,939
Nonrecognition of deferred taxes		(418,976)
Net income under PFRS for SEs	P	5,505,963

Explanation of transition to the PFRS for SEs

i. Deferred taxes
The income tax expense includes current and deferred taxes under PFRS for SMEs. PFRS for SEs allows entities not to recognize deferred taxes, which management opted to apply.

ii. Retirement benefit
PFRS for SEs only requires an entity to use the accrual approach in calculating benefit obligations in accordance with Republic Act (RA) 7641, The Philippine Retirement Pay Law, or company policy (if superior than RA 7641). Management believes that the Company's retirement plan, for which actuarial valuation is made as basis of retirement plan accounting, is superior than that required under RA 7641.

Significant Accounting Policies

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 an intention to settle on a net basis or to realize the assets 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 expenses are not offset in the statement of income unless required or permitted by any accounting standard or interpretation and as specifically disclosed in the accounting policies of the Company.

Current versus Non-current Classification

The Company presents assets and liabilities in statement of financial position based on current/noncurrent classification. An asset is current when it is:

i. Expected to be realized or intended to be sold or consumed in the normal operating cycle;
ii. Expected to be realized within twelve months after the reporting date; or
iii. Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets are classified as non-current.

A liability is current when:
i. It is expected to be settled in the normal operating cycle;
ii. It is due to be settled within twelve months after the reporting date; or
iii. There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting date.

All other liabilities are classified as non-current.

Cash and Cash Equivalents

Cash includes cash on hand and in bank and is carried in the statement of financial position of nominal amount. Cash in bank represents savings deposit in a bank that earns interest at the respective bank deposit rates.

Financial Instruments

Initial recognition and measurement of financial instruments

An entity shall recognize a financial asset or a financial liability only when the entity becomes a party to the contractual provisions of the instrument.

All financial instruments are initially recognized at transaction price (including transaction costs) unless the arrangement constitutes, in effect, a financing transaction. A financing transaction may take place in connection with the sale of goods or services, for example, if payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate. If the arrangement constitutes a financing transaction, the entity shall measure the financial asset or financial liability at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial instruments that are debt instruments measured at amortized cost

These are debt instruments, such as receivables or payables, which satisfy all of the following conditions:

a) Return to the holder is a fixed amount; a fixed rate of return over the life of the instrument; a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or some combination of such fixed rate and variable rates, provided that both the fixed and variable rates are positive.

b) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

c) Contractual provisions that permit the issuer (the debtor) to prepay a debt instrument or permit the holder (the creditor) to put it back to the issuer before maturity are not contingent on future events.

d) There are no conditional returns or repayment provisions except for the variable rate of return described in (a) and prepayment provisions described in (c).

Debt instruments that meet the conditions above are measured at amortized cost using the effective interest method. Cash and debt instruments that are classified as current assets or current liabilities shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received (i.e. net of impairment) unless the arrangement constitutes, in effect, a financing transaction. If the arrangement constitutes a financing transaction, the Company shall measure the debt instrument at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Classified under financial assets that are debt instruments measured at amortized cost are the Company's 'Trade and other receivables' account in the statement of financial position.

Classified under financial liabilities measured at amortized cost are the Company's 'Trade and other payable' account in the statement of financial position.

Derecognition of Financial Assets and Liabilities
i. Financial assets
A financial asset is derecognized when:

1. the contractual rights to the cash flows from the financial asset have expired or are settled; or
2. the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset.

ii. Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as 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.

Impairment of Financial Assets
The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or 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 since 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 principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Inventories
Inventories are stated at the lower of cost and its market value. Costs of inventories include all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The Company's inventories are accounted for on a first-in, first-out basis.

At each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory (or group of similar items) with its market value. If an item of inventory (or group of similar items) is impaired, the Company shall reduce the carrying amount of the inventory (or the group) to its market value. Market value is determined as the probable selling price to willing buyers as of reporting date. Any decrease in inventories arising from write down of cost to market value is an impairment loss and it is recognized immediately in the statement of income.

Prepayments
Prepayments 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 is carried at cost less accumulated depreciation and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the item. All other repair and maintenance expenses are charged to current operations as incurred.

Depreciation is calculated on a straight-line basis over the useful lives of assets as follows:

Leasehold improvement	3 years
Office equipment	3 years
Office furniture and fixtures	3 years
Building	10 years

The useful life and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from the asset.

If there is an indication that there has been a significant change in depreciation rate, estimated useful life (EUL) or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

When items of property and equipment are retired or otherwise disposed of, their cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the statement of income in the year the items are sold or retired.

Fully depreciated assets are still carried in the accounts until they are no longer in use.

Capital Stock
Capital stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement and is measured at par value.

Retained Earnings
Retained earnings represents the cumulative balance of periodic net income or loss of the Company, net of any dividend declarations.

Revenue Recognition
Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment was made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts and sales tax. The Company is acting as a principal in all its arrangement transactions.

Sales
Revenue from sale of goods is recognized upon delivery, when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of any trade discounts, prompt payment discounts and volume rebates.

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

Other income
Other income is recognized only when cash is received.

Expense Recognition
Expenses are recognized in the statement of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

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

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 less any related purchase returns, discounts and allowances. Such costs are recorded in the statement of income upon recognition of sales.

Retirement Benefits
The Company operates a defined benefit retirement plan which requires contribution 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 end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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:
i. Service cost
ii. Net interest on the net defined benefit liability or asset
iii. Remeasurements of net defined benefit liability or asset

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

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 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.

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 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 in the statement of income on a straight-line basis over the lease term.

Income Taxes

The Company accounted its income taxes under the taxes payable method. Under the taxes payable method, the Company recognizes a current tax liability for tax payable on taxable profit for the current and past periods. If the amount paid for the current and past periods exceeds the amount payable for those periods, the Company shall recognize the excess as a current tax asset.

The Company shall measure its current tax assets or liabilities using the tax rates and laws that have been enacted or substantively enacted by the reporting date. The Company shall not discount current tax assets and liabilities.

The Company is subject to MCIT as it is on the 4th year of its business operations of which MCIT is 2% of the gross income of the Company at the end of the year. The MCIT is compared with the regular income tax, and whichever is higher shall be the amount of income tax to be paid.

Provisions and Contingencies

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

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

Foreign Currency Transactions
Transactions in foreign currencies are translated into Philippine peso at exchange rates which approximate those prevailing on transaction dates. Monetary assets and liabilities denominated in foreign currencies are restated at the closing exchange rate prevailing as of reporting date. Exchange gains and losses arising from the settlement and restatement of foreign currency denominated monetary assets and liabilities are recognized in the statement of income.

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

3. Significant Accounting Judgments and Estimates

The preparation of financial statements in accordance with PFRS for SEs requires the Company to make judgments and estimates that affect the reported amounts of assets, liabilities, income, and expenses, and disclosure 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.

Judgment and estimates are continually evaluated and are based on expectations of future events that are believed to be reasonable under the circumstances.

As of December 31, 2019 and 2018, management assessed that there is no significant judgment exercised in respect to the preparation of the financial statements.

Estimates

(a) Recoverable value of inventories

The Company assesses the recoverable amounts of its inventories at each reporting date. Inventories are assessed by comparing the carrying amount of each item of inventory with its market value. An inventory is written down to the market value when such amount is lower than cost, with the loss immediately recognized in the statement of income.

The carrying values of the Company's inventories are disclosed in Note 6.

(b) Present value of retirement obligation

The cost of defined benefit retirement plan and other post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of reporting date, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The present value of the retirement liability and fair value of plan assets are disclosed in Note 15.

4. Cash and Cash Equivalents

This account consists of:

		2019		2018
Cash on hand	**P**	**210,055**	P	215,091
Cash in banks (Note 18)		**27,041,074**		13,513,112
Cash equivalents		**13,576,732**		13,073,076
	P	**40,827,861**	P	26,801,279

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents represent time deposits with terms of 30 to 90 days replacements which bear annual interest rates of 3.0% to 4.5% and 1.5% to 4.0% in 2019 and 2018, respectively.

Interest income earned from cash and cash equivalents amounted to P679,689 and P488,054 in 2019 and 2018, respectively.

5. Trade and Other Receivables - Net

This account consists of:

		2019		2018
Trade receivables (Note 18)	**P**	**4,904,274**	P	14,108,659
Other receivables		**72,008**		-
		4,976,282		14,108,659
Allowance for credit losses		**(111,669)**		(111,669)
	P	**4,864,613**	P	13,996,990

Trade receivables are non-interest bearing and are generally payable within 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 credit losses on other receivables amounting to P0 nil in 2019 and 2018.

6. Inventories

This account consists of branded and generic medicines, health and beauty products and other pharmaceutical items which are stated at cost. The estimated market value of the inventories is higher than their historical cost.

		2019		2018
Cost	**P**	**8,533,559**	P	10,827,992
Allowance for inventory losses		**(483,774)**		(483,774)
Carrying value		**8,049,785**		10,344,218
Market value		**14,141,103**		10,820,448
Lower of cost and market value	**P**	**8,049,785**	P	10,344,218

Inventories recognized as part of cost of sales in the statement of income amounted to P64,265,635 and P51,833,932 in 2019 and 2018, respectively.

		2019		2018
Inventories at beginning of year	**P**	**10,344,218**	P	4,704,178
Add: Net purchases		**61,971,202**		57,473,972
Inventories available for sale		**72,315,420**		62,178,150
Less: cost of sales		**64,265,635**		51,833,932
Inventories at end of year	**P**	**8,049,785**	P	10,344,218

Movements in the allowance for inventory write-down are as follows:

		2019		2018
Balance at beginning of year	**P**	**483,774**	P	483,774
Additions (reversals) during the year		**-**		-
Balance at end of year	**P**	**483,774**	P	483,774

7. Other Assets

This account consists of:

		2019		2018
Current				
Prepaid expenses	**P**	**129,568**	P	-
Refundable deposits		**32,026**		48,775
Prepaid tax		**-**		390,154
		161,594		438,929
Noncurrent				
Prepaid expenses		**254,255**		163,255
Refundable deposits		**152,583**		130,582
		406,838		293,837
	P	**568,432**	P	732,766

Refundable 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.

Prepaid expenses consist of unexpired insurance premiums for fire and vehicle, and advance rental for the lease of office and branch premises.

8. Property and Equipment - Net

Details of property and equipment - net as of December 31, 2019 are as follows:

	Leasehold Improvement	Office Equipment	Office Furniture and Fixtures	Construction in Progress	Building	Total
Cost						
Balance at beginning of year	P 1,002,971	P 1,655,415	P 200,555	P 392,700	P -	P 3,251,641
Additions	334,554	688,363	-	168,300	-	1,191,217
Disposals	-	(56,366)	-	-	-	(56,366)
Transfer	-	-	-	(561,000)	561,000	-
Balance at end of year	1,337,525	2,287,412	200,555	-	561,000	4,386,492
Accumulated Depreciation						
Balance at beginning of year	768,899	1,550,376	200,149	-	-	2,519,424
Depreciation	148,965	132,030	-	-	56,100	337,095
Disposals	-	(56,366)		-	-	(56,366)
Balance at end of year	917,864	1,626,040	200,149	-	56,100	2,800,153
Net Book Value	P 419,661	P 661,372	P 406	P -	P 504,900	P 1,586,339

In 2019, the construction in progress that amounted to P561,000 has been finished and was transferred to the building account. The building, which is used as a pharmacy, was constructed on land owned by CARD-MRI Development Institute, Inc. (CMDI) which is a related party (see Note 18).

Details of property and equipment - net as of December 31, 2018 are as follows:

	Leasehold Improvement	Office Equipment	Office Furniture and Fixtures	Construction in Progress	Total
Cost					
Balance at beginning of year	P 855,066	P 1,594,084	P 200,555	P -	P 2,649,705
Additions	269,543	108,601	-	392,700	770,844
Disposals	(121,638)	(47,270)	-	-	(168,908)
Balance at end of year	1,002,971	1,655,415	200,555	392,700	3,251,641
Accumulated Depreciation					
Balance at beginning of year	666,570	1,503,889	177,174	-	2,347,633
Depreciation	223,966	93,757	22,975	-	340,698
Disposals	(121,637)	(47,270)		-	(168,907)
Balance at end of year	768,899	1,550,376	200,149	-	2,519,424
Net Book Value	P 234,072	P 105,039	P 406	P 392,700	P 732,217

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 follows:

	2019	2018
Selling and distribution expense (Note 13)	**P 292,032**	P 272,720
General and administrative expense (Note 13)	**45,063**	67,978
	P 337,095	P 340,698

9. Intangible Assets - Net

The movements in this account follow:

		2019		2018
Cost				
Balance at beginning of year	**P**	**185,037**	P	185,037
Additions		**791,072**		-
Balance at end of year		**976,109**		185,037
Accumulated amortization				
Balance at beginning of the year		**181,139**		125,414
Amortization		**133,855**		55,725
Balance at end of the year		**314,994**		181,139
Net book value	**P**	**661,115**	P	3,898

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 follows:

		2019		2018
General and administrative expense (Note 13)	**P**	**81,269**	P	45,277
Selling and distribution expense (Note 13)		**52,586**		10,448
	P	**133,855**	P	55,725

10. Trade and Other Payables

This account consists of:

		2019		2018
Financial liabilities				
Accounts payable (Note 18)	**P**	**8,055,618**	P	16,087,435
Accrued expenses		**754,611**		1,407,500
		8,810,229		17,494,935
Nonfinancial liabilities				
VAT payable		**978,935**		598,021
Others		**626,965**		195,757
		1,605,900		793,778
Total	**P**	**10,416,129**	P	18,288,713

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

Accrued expenses consist of unpaid professional fees, program monitoring and evaluation, and 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, Social Security Services (SSS), PhilHealth and PAGIBIG fund.

VAT payable pertains to the excess of the output VAT from sales over the input VAT from purchases of goods and services.

11. Equity

Capital Stock

The Company's capital stock consists of:

	2019		2018	
	Shares	**Amount**	Shares	Amount
Common stock - P5 par value, 20,000,000 authorized shares				
Issued and outstanding	**2,999,869**	**P 14,999,345**	2,000,000	P 10,000,000
Subscribed	**9,081,571**	**45,407,857**	9,261,571	46,307,857
Subscription receivable	**(4,721,180)**	**(23,605,902)**	(5,368,089)	(26,840,447)
	7,360,260	**P 36,801,300**	5,893,482	P 29,467,410

Movements in capital stock follow:

	2019		2018	
	Shares	**Amount**	Shares	Amount
Capital stock at beginning of year	**5,893,482**	**P 29,467,410**	5,748,671	P 28,743,357
Issuances of shares of stocks from settlement of subscriptions receivables	**646,909**	**3,234,545**	144,811	724,053
Stock dividends	**819,869**	**4,099,345**	-	-
Capital stock at end of year	**7,360,260**	**P 36,801,300**	5,893,482	P 29,467,410

Dividends

On May 31, 2019, the stockholders approved the declaration of cash and stock dividends amounting to P1,825,592 and P4,099,347 (equivalent to P0.16 and P5.00 per share), respectively, based on Financial Statement Data and Stockholdings Books of Records as of 2019.

On August 31, 2018, the stockholders approved the declaration of cash dividends amounting to P1,825,592 (equivalent to P0.16 per share) based on Financial Statement Data and Stockholdings Books of Records as of 2018.

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.

12. Net Sales

The composition of net sales follows:

		2019		2018
Branch sales	**P**	**74,183,151**	P	46,801,600
Head office sales (Note 18)		**35,425,980**		44,214,470
Gross sales		**109,609,131**		91,016,070
Sales discount		**(1,152,048)**		(2,122,534)
Sales returns		**(286)**		(1,087)
Net sales	**P**	**108,456,797**	P	88,892,449

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.

13. Expenses

a. General and Administrative Expenses

This account consists of:

		2019		2018
Personnel expenses	**P**	**6,328,506**	P	4,857,615
Seminars and meetings		**2,852,459**		1,481,670
Information technology		**2,152,793**		2,135,165
Janitorial, messengerial, and security		**1,709,443**		1,390,779
Transportation and travel		**1,227,976**		1,158,318
Program monitoring and evaluation		**871,027**		813,808
Rental (Note 16)		**782,238**		233,526
Supplies and materials		**490,542**		431,997
Staff training and development		**358,425**		150,037
Professional fees		**165,610**		1,077,465
Utilities		**112,534**		74,816
Amortization (Note 9)		**81,269**		45,277
Depreciation (Note 8)		**45,063**		67,978
Supervision and examination		**25,729**		69,118
Grants and donations		**-**		3,000,000
Others		**516,641**		1,239,967
	P	**17,720,255**	P	18,227,536

Others include insurance, communication and postage, interest, taxes and licenses, repair and maintenance, and advertising and publicity.

b. Selling and Distribution Expenses

This account consists of:

		2019		2018
Personnel expenses	**P**	**6,359,817**	P	6,030,940
Rental (Note 16)		**1,415,687**		1,278,634
Transportation and travel		**1,234,278**		1,090,944
Information technology		**1,148,527**		331,028
Supplies and materials		**530,776**		248,078
Utilities		**456,045**		438,339
Taxes and licenses		**355,130**		255,298
Depreciation (Note 8)		**292,032**		272,720
Communication and postage		**213,794**		182,502
Staff training and development		**69,777**		24,071
Amortization		**52,586**		10,448
Others		**1,352,783**		1,163,034
	P	**13,481,232**	P	11,326,036

Others include provision for credit losses, insurance expense, repairs and maintenance, janitorial, messengerial and security expense and program monitoring and evaluation.

Personnel Expenses mainly consist of:

		2019		2018
Salaries and wages	**P**	**7,969,974**	P	5,750,019
Employee benefits		**4,607,729**		4,916,162
Retirement benefits (Note 15)		**110,620**		222,374
	P	**12,688,323**	P	10,888,555

14. Other Income (Charges) - Net

		2019		2018
Actuarial gain on retirement plan	**P**	**817,003**	P	-
Interest income		**679,689**		488,054
Others		**38,415**		168,495
	P	**1,535,107**	P	656,549

15. Retirement Benefits

The Company, CARD MRI Development Institute, Inc., CARD Mutual Benefit Association, Inc., CARD SME Bank, Inc., CARD MRI Insurance Agency, Inc., CARD Business Development Service Foundation, Inc., CARD MRI Information Technology, Inc., CARD Employees Multi-Purpose Cooperative, Responsible Investments for Solidarity and Empowerment Financing Co. (RISE), CARD Bank, Inc., CARD Leasing and Finance Corporation, CARD MRI Rizal Bank Inc., CARD, Inc., Mga Likha ni Inay Inc., CARD MRI Property Holdings, Inc., CARD MRI Publishing House Inc. and CARD MRI Hijos Tours 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 and CARD Group Employees' Retirement Plan (Hybrid Plan) applicable to employees hired on or after July 1, 2016. MERP and Hybrid Plan comply with the requirements of Republic Act No. 7641, Retirement Pay Law.

MERP is valued using the projected unit cost method and is financed solely by the Company and its related parties. 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.

The date of the latest actuarial valuation report for MERP is December 31, 2019.

The amounts of retirement asset recognized in the statement of financial position follow:

		2019		2018
Fair value of plan assets	**P**	**8,826,086**	P	8,365,277
Present value of defined benefit obligation		**(2,681,086)**		(2,848,939)
Effect of asset ceiling		**(1,855,476)**		(2,029,535)
Retirement asset	**P**	**4,289,524**	P	3,486,803

The composition of retirement expense in 2019 and 2018 as reported under personnel expenses in 'General and administrative expenses' and 'Selling and distribution expenses' in the statement of income follow:

		2019		2018
Interest income on plan assets	**P**	**(647,835)**	P	(467,799)
Current service cost		**382,813**		443,699
Interest expense on retirement obligation		**219,368**		166,889
Interest on the effect of the asset ceiling		**156,274**		79,585
	P	**110,620**	P	222,374

The movements in the fair value of plan assets follow:

		2019		2018
Balance at beginning of year	**P**	**8,365,277**	P	8,143,892
Interest income		**647,835**		467,799
Return on plan assets		**(283,364)**		(173,484)
Transfers from the plan		**-**		(100,014)
Contributions paid by employer		**96,338**		27,084
Balance at end of year	**P**	**8,826,086**	P	8,365,277

The movements in the present value of obligation follow:

		2019		2018
Balance at beginning of year	**P**	**2,848,939**	P	2,892,349
Actuarial (gains) losses from changes in:				
Financial assumptions		**613,489**		(784,867)
Experience		**(1,366,150)**		321,266
Demographic assumptions		**(17,373)**		(90,383)
Transfers from the plan		**-**		(100,014)
Current service cost		**382,813**		443,699
Interest expense on retirement obligation		**219,368**		166,889
Balance at end of year	**P**	**2,681,086**	P	2,848,939

The movements in the net actuarial gains/losses recognized in Other Income (Charges) - Net follow:

		2019		2018
Remeasurement (gain) loss – change in the effect of asset ceiling	**P**	**(330,333)**	P	570,666
Actuarial (gain) loss – defined benefit obligation		**(770,034)**		(553,984)
Remeasurement gain – plan assets		**283,364**		173,484
Actuarial (gain) loss on retirement plan	**P**	**(817,003)**	P	190,166

The latest actuarial valuation report covers reporting period as of December 31, 2019.

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 follows:

		2019		2018
Cash and cash equivalents	**P**	**7,191,495**	P	3,715,856
Government securities		**116,504**		4,003,622
Loan receivables		**1,020,296**		-
Mutual funds		**50,309**		-
Other		**447,483**		645,799
	P	**8,826,086**	P	8,365,277

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:

	2019	2018
Discount rate	**5.54%**	7.70%
Future salary increase	**5.00%**	5.00%

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			
	2019		2018	
	+100	**-100**	+100	-100
Discount rates	**P (312,978)**	**P 375,894**	P (313,438)	P 372,618
Future salary increases	**374,105**	**(3,172,015)**	379,148	(323,651)

The average duration of the defined benefit obligation at the end of each reporting period is 12.8 years and 12 years in 2019 and 2018, respectively.

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

	2019	2018
Less than 1 year	**P 107,651**	P 142,732
More than 1 year to 5 years	**691,899**	830,393
More than 5 years to 10 years	**1,546,471**	1,786,414
More than 10 years to 15 years	**4,021,858**	5,110,085
More than 15 years to 20 years	**3,789,689**	6,087,432
More than 20 years to 25 years	**3,323,678**	3,062,612
More than 25 years	**10,367,833**	19,338,546

16. Leases

Operating Lease Agreement

The Company has 11 and 10 outstanding lease contracts as of December 31, 2019 and 2018, respectively, for the lease of branch premises with original lease terms ranging from three (3) years to five (5) years and are renewable upon mutual agreement.

The distribution of rental expenses is as follows:

	2019	2018
Selling and distribution expenses (Note 13)	**P 1,415,687**	P 1,278,634
General and administrative expenses (Note 13)	**782,238**	233,526
	P 2,197,925	P 1,512,160

17. Income Taxes

a. Applicable Rate

The Company is subject to Regular Corporate Income Tax (RCIT). Effective January 1, 2009, in accordance with Republic Act 9337, RCIT rate was reduced from 35% to 30%. The Company is subject to minimum corporate income tax (MCIT), computed at 2% of gross income or to Regular Corporate Income Tax (RCIT), whichever is higher.

b. Optional Standard Deduction

Effective July 2008, Republic Act 9504 was approved giving corporate taxpayers an option to claim itemized deduction or optional standard deduction (OSD) equivalent to 40% of gross income. Once the option to use OSD is made, it shall be irrevocable for the taxable year for which the option was made. In 2019 and 2018, the Company opted to continue claiming itemized deduction.

c. Tax Computation

Regular Corporate Income Tax (RCIT)		**2019**		2018
Revenue	**P**	**108,456,797**	P	88,892,448
Less: Cost of Sales and Services		**(64,265,635)**		(51,833,932)
Gross Income from Operation		**44,191,162**		37,058,516
Add: Other income		**38,415**		168,496
Total Gross Income		**44,229,577**		37,227,012
Less: Itemized deduction		**(31,400,525)**		(29,144,335)
Taxable income	**P**	**12,829,052**	P	8,082,677
Income tax expense (current) - at 30%	**P**	**3,848,716**	P	2,424,803
MCIT - at 2%		**884,592**		744,540
Total income tax due		**3,848,716**		2,424,803
Income taxes paid and tax credits		**(3,176,669)**		(2,844,792)
Income tax payable	**P**	**672,047**	P	(419,989)

d. Reconciliation

Reconciliation between accounting income and taxable income is presented below:

Regular Corporate Income Tax (RCIT)		**2019**		2018
Accounting income	**P**	**14,524,782**	P	8,161,494
Permanent differences:				
Interest income subject to final tax		**(679,689)**		(488,054)
Fines and penalties		**15,000**		412,616
Temporary differences:				
Unamortized past service cost		**(158,510)**		(158,510)
Accumulated vacation leave		**(69,810)**		(55,721)
Contributions to retirement fund		**(96,338)**		-
Retirement expense		**110,620**		195,290
Actuarial gain on retirement plan		**(817,003)**		-
Advance rent		**-**		15,563
Taxable income	**P**	**12,829,052**	P	8,082,677

The provision for income tax consists of:

		2019		2018
Income tax	**P**	**3,848,716**	P	2,424,803
Final tax		**134,984**		97,612
	P	**3,983,700**	P	2,522,415

18. 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:

i. 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;
ii. post-employment benefit plans for the benefit of the Company's employees; and
iii. other related parties within the CARD-MRI Group.

Transactions with retirement plans
Under PFRS for SEs, 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.

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

		2019		2018
Salaries and other short-term benefits	**P**	**1,575,747**	P	1,352,848
Post-employment benefits		**1,205,277**		942,091
	P	**2,781,023**	P	2,294,939

Other related party transactions
Transactions between the Company and related parties within the CARD-MRI, also qualify as related party transactions.

a. Usufruct Agreement with CMDI
On March 15, 2019, CMDI, which is a member of the CARD MRI group of companies, granted usufruct to the Company over a portion of the parcel of land located at Brgy. Mankilam, Tagum City to establish the Company's pharmacy (see Note 8). The usufruct shall continue to be in force until December 31, 2027, unless terminated or extended by the parties. The Company has the right to use and occupy the property for the establishment of its pharmacy only and may enter into any contract that is related only to the establishment of its pharmacy, subject to certain detailed conditions on the use of the property.

The Company assumes full responsibility for the maintenance, repair, and preservation of the property. During the term of usufruct, the Company is responsible for the taxes and other governmental charges that are levied upon the property. At the termination or expiration of the term of the usufruct, the alterations, improvements, additions, and changes, at CMDI's option, become the property of CMDI.

b. Related party transactions and balances as of year end for the years under December 31, 2019 and 2018 are as follows:

Category	December 31, 2019 Amount / Volume	Outstanding Balance	Nature, Terms and Conditions
Stockholder			
Trade receivables		**P 538,383**	Pertains to the sale of medicines and expenses incurred in community visits.
Billings	**P 47,868,320**		
Collections	**(53,114,536)**		
Accounts payable		**780**	Pertains to share in expenses and rental payments.
Charges	**780**		
Payments	**(45,299)**		
Affiliates			
Cash in bank		**34,735,358**	This pertains to checking and savings account with an annual interest rate ranging from 0.5% to 4.0%.
Deposits	**76,073,686**		
Withdrawals	**(64,465,423)**		
Interest income	**535,546**		This pertains to interest earned from the savings account, current account, and time deposits.
Trade receivables		**2,163,400**	Pertains to the sale of medicines and supplies and expenses incurred in community visits.
Billings	**40,802,142**		
Collections	**(40,746,109)**		
Accounts payable		**78,860**	Pertains to lease of office computers, vehicle, service charges and share in expenses.
Charges	**78,260**		
Payments	**(3,349)**		

Category	December 31, 2018 Amount / Volume	Outstanding Balance	Nature, Terms and Conditions
Stockholder			
Trade receivables		P 5,784,599	Pertains to the sale of medicines and expenses incurred in community visits.
Billings	P 42,306,813		
Collections	(39,501,765)		
Accounts payable		45,299	Pertains to share in expenses and rental payments.
Charges	1,456,541		
Payments	(1,411,242)		
Affiliates			
Cash in bank		22,591,549	This pertains to checking and savings account with an annual interest rate ranging from 0.5% to 4.0%.
Deposits	66,099,165		
Withdrawals	(62,941,158)		
Interest income	21,191		This pertains to interest earned from the savings account, current account and time deposits.
Trade receivables		2,107,366	Pertains to the sale of medicines and supplies and expenses incurred in community visits.
Billings	24,168,302		
Collections	(22,247,929)		
Accounts payable		3,949	Pertains to lease of office computers, vehicle, service charges and share in expenses.
Charges	3,620,719		
Payments	(3,616,770)		
Finance lease payable		-	Pertains to lease of office computers.
Additions	-		
Payments	28,567		
Interest expense	23,960		Pertains to interest on finance lease liability
Retirement plan		-	Pertains to the funded and formal noncontributory defined benefit retirement plan of the Company that is handled by CARD MERP (see Note 15)
Contributions			

19. Approval of the Issuance of the Financial Statements

The accompanying financial statements of the Company were reviewed and approved for issuance by the Company's Board of Directors on March 31, 2020.

20. Subsequent Events

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Company has determined that these events are non-adjusting subsequent events. Accordingly, the Company's financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of operations of the Company for future periods. The Company assumes that there is no significant doubt about the entity's ability to continue

21. 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 12.0%, effective February 1, 2006. The Company's application for VAT registration has already been approved on May 6, 2013.

The total Output VAT declared in the Company's VAT returns filed in 2019 amounted to P12,727,759.

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

Balance at beginning of the year	**P**	**-**
Current year's purchases of:		
Goods other than capital goods		**6,699,064**
Services	-	**822,326**
Total input VAT available		**7,521,390**
Claims against output VAT		**(7,521,390)**
Balance of input VAT at end of period	**P**	**-**

Other Taxes and Licenses

The components of 'Taxes and licenses' follow:

Business permits and licenses	**P**	**333,961**
Others		**39,529**
	P	**373,490**

Withholding Taxes

The taxes withheld paid and accrued which are reported as part of others under 'trade and other payable' as of December 31, 2019 are as follow:

		Paid		Payable
Withholding tax on compensation and benefits	P	379,208	P	429,104
Final income tax withheld		85,412		-
Expanded withholding tax		1,023,252		193,405
	P	1,487,872	P	622,509

Tax Assessments and Cases

The Company received from BIR a Letter of Authority (SN: ela201200049462/LOA-055-2019-00000167) dated August 29, 2019 from BIR for the investigation of all internal revenue tax liabilities for the period January 1, 2018 to December 31, 2018.