

**BOTICARD INC.**

Financial Statements

**December 31, 2022 and 2021**

and

Independent Auditor's Report

**ENDRIGA, MANANGU & ASSOCIATES**  
Certified Public Accountants

**BOTICARD INC.****STATEMENTS OF FINANCIAL POSITION**

			<b>As of December 31</b>	
	<i>Notes</i>		<b>2022</b>	<b>2021</b>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	2, 4	P	<b>42,582,812</b>	P 44,798,192
Trade and other receivables - net	2, 5		<b>2,571,023</b>	1,517,171
Inventories	2, 3, 6		<b>16,603,953</b>	12,653,743
Other current assets	7		<b>787,343</b>	396,729
Total Current Assets			<b>62,545,131</b>	59,365,835
<b>NONCURRENT ASSETS</b>				
Property and equipment - net	2, 8		<b>3,005,795</b>	1,305,733
Intangible assets - net	2, 9		<b>322,829</b>	454,533
Retirement asset - net	2, 17		<b>4,079,825</b>	3,804,474
Investment in equity security	2, 10		<b>2,607,126</b>	2,607,126
Investment in government security	2, 11		<b>5,967,718</b>	-
Other noncurrent assets	7		<b>728,640</b>	430,763
Total Noncurrent Assets			<b>16,711,933</b>	8,602,629
<b>TOTAL ASSETS</b>		<b>P</b>	<b>79,257,064</b>	P 67,968,464
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Trade and other payables	2, 12	P	<b>2,529,263</b>	P 2,575,366
Income tax payable	2, 19		<b>1,147,646</b>	2,205,158
Total Current Liabilities			<b>3,676,909</b>	4,780,524
<b>EQUITY</b>				
Capital stock	2, 13		<b>56,889,306</b>	54,172,590
Retained earnings			<b>18,690,849</b>	9,015,350
Total Equity			<b>75,580,155</b>	63,187,940
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>P</b>	<b>79,257,064</b>	P 67,968,464

See accompanying Notes to Financial Statements.



**BOTICARD INC.**  
**STATEMENTS OF INCOME**

		<b>For the Years Ended December 31</b>	
	<i>Notes</i>	<b>2022</b>	<b>2021</b>
<b>NET SALES</b>	14 P	<b>130,901,656</b>	P 100,246,795
<b>COST OF SALES</b>	6	<b>69,273,035</b>	53,464,673
<b>GROSS PROFIT</b>		<b>61,628,621</b>	46,782,122
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	15	<b>23,040,854</b>	21,587,935
<b>SELLING AND DISTRIBUTION EXPENSES</b>	15	<b>20,873,929</b>	15,174,909
<b>OPERATING INCOME</b>		<b>17,713,838</b>	10,019,278
<b>OTHER INCOME (CHARGES) - NET</b>	16	<b>997,884</b>	(681,925)
<b>INCOME BEFORE INCOME TAX</b>		<b>18,711,722</b>	9,337,353
<b>PROVISION FOR INCOME TAX</b>	19	<b>4,661,791</b>	2,959,441
<b>TOTAL INCOME</b>	P	<b>14,049,931</b>	P 6,377,912

*See accompanying Notes to Financial Statements.*



**BOTICARD INC.****STATEMENTS OF CHANGES IN EQUITY**

		As of December 31	
	Notes	2022	2021
<b>CAPITAL STOCK</b>	13	<b>P 56,889,306</b>	54,172,590
<b>RETAINED EARNINGS</b>	13		
Balance at beginning of year		<b>9,015,350</b>	8,782,798
Stock dividend declaration		<b>(1,458,135)</b>	(2,500,000)
Cash dividend declaration		<b>(2,916,297)</b>	(3,645,360)
Net income after income tax		<b>14,049,931</b>	6,377,912
Balance at end of year		<b>18,690,849</b>	9,015,350
<b>TOTAL EQUITY</b>		<b>P 75,580,155</b>	<b>P 63,187,940</b>

See accompanying Notes to Financial Statements.

**BOTICARD INC.****STATEMENTS OF CASH FLOWS**

		<b>Years Ended December 31</b>	
	<i>Notes</i>	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax		P 18,711,722	P 9,337,353
Adjustments for:			
Interest income	16	(615,100)	(494,257)
Depreciation and amortization	8, 9, 15	1,273,731	1,038,586
Retirement expense	17	367,019	334,943
Actuarial gain (loss) on retirement plan	16, 17	(420,679)	369,217
Operating income before working capital changes		<b>19,316,693</b>	10,585,842
Changes in operating assets and liabilities			
(Increase) decrease in the amounts of:			
Trade and other receivables	5	(1,053,852)	2,768,711
Inventories	6	(3,950,210)	60,848
Other assets	7	(688,491)	771,126
Decrease in the amounts of:			
Trade and other payables	12	(46,103)	(421,167)
Net cash generated from operations		<b>13,578,037</b>	13,765,360
Interest income received	16	615,100	494,257
Income taxes paid	19	(5,719,303)	(884,259)
Contribution to retirement fund	17	(221,691)	(170,700)
Net cash provided by operating activities		<b>8,252,143</b>	13,204,658
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of property and equipment	8	(2,555,979)	(580,388)
Acquisition of intangible assets	9	(286,110)	(380,893)
Increase in investment in equity security	10	-	(2,607,126)
Increase in investment in debt security	11	(5,967,718)	-
Disposal of property and equipment	8	-	584
Net cash used in investing activities		<b>(8,809,807)</b>	(3,567,823)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash dividends paid	13	(2,916,297)	(3,645,360)
Proceeds from issuance of capital stock	13	1,258,581	4,451,215
Net cash flows provided by (used in) financing activities		<b>(1,657,716)</b>	805,855
<b>NET INCREASE (DECREASE) IN</b>			
<b>CASH AND CASH EQUIVALENTS</b>		<b>(2,215,380)</b>	10,442,690
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>44,798,192</b>	34,355,502
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>P 42,582,812</b>	<b>P 44,798,192</b>

See accompanying Notes to Financial Statements.

# **BOTICARD INC.**

## NOTES TO FINANCIAL STATEMENTS

**As of and for the years ended December 31, 2022 and 2021**

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### **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 the Center for Agriculture and Rural Development – Mutually Reinforcing Institutions (CARD-MRI) and was created primarily to engage in the business of purchasing, delivering, and selling prescription drugs, proprietary drugs, and non-prescription medicines and 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 fourteen (14) branches, and one (1) warehouse and twelve (12) branches as of December 31, 2022 and 2021, respectively, located in the Philippines.

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### **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 Pesos (P), which is the Company's functional currency. All amounts are rounded to the nearest peso unless otherwise stated.

#### Statement of Compliance

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).

#### **Significant Accounting Policies**

##### Presentation of Financial Statements

Financial assets and financial liabilities are offset and the net amount is 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, the event of default, and the 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 the 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 a nominal amount. Cash in bank represents savings deposits in banks that earn 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 the 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, canceled, 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 have 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 a 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 by 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 are 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 the 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 represent 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 the 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 a decrease in future economic benefit related to a decrease in an asset or an increase in 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*

The cost 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 a 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. The 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 whether the arrangement conveys a right to use the asset. A reassessment is made after the 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; and
- 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 for 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 in 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 pesos at exchange rates that 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 the 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.

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### 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.

Judgments 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, 2022 and 2021, management assessed that there is no significant judgment exercised concerning 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 an 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 a 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 17.

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### 4. Cash and Cash Equivalents

This account consists of:

		<b>2022</b>		2021
Cash on hand	<b>P</b>	<b>367,500</b>	<b>P</b>	318,111
Cash in banks (Note 20)		<b>9,035,512</b>		15,238,617
Cash equivalents		<b>33,179,800</b>		29,241,464
	<b>P</b>	<b>42,582,812</b>	<b>P</b>	44,798,192

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Cash in banks earns interest at the respective bank deposit rates. Cash equivalents represent time deposits with terms of 30 to 365 days replacements which bear annual interest rates of 1.5% to 2.5% and 1.25% to 1.75% in 2022 and 2021, respectively.

Interest income earned from cash and cash equivalents amounted to P566,065 and P494,257 in 2022 and 2021, respectively.

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## 5. Trade and Other Receivables - Net

This account consists of:

		<b>2022</b>		2021
Trade receivables (Note 20)	<b>P</b>	<b>3,225,127</b>	<b>P</b>	2,216,286
Allowance for credit losses (Note 16)		<b>(654,104)</b>		(699,115)
	<b>P</b>	<b>2,571,023</b>	<b>P</b>	1,517,171

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.

Movements in the allowance for credit losses are as follows:

		<b>2022</b>		2021
Balance at beginning of year	<b>P</b>	<b>699,115</b>	<b>P</b>	111,669
Additions during the year (Note 15)		-		587,446
Reversal during the year (Note 16)		<b>(45,011)</b>		-
Balance at end of year	<b>P</b>	<b>654,104</b>	<b>P</b>	699,115

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## 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.

		<b>2022</b>		2021
Cost	<b>P</b>	<b>17,325,738</b>	<b>P</b>	13,120,008
Allowance for inventory losses		<b>(721,784)</b>		(466,265)
Carrying value		<b>16,603,953</b>		12,653,743
Market value		<b>26,686,430</b>		25,352,263
Lower of cost and market value	<b>P</b>	<b>16,603,953</b>	<b>P</b>	12,653,743

Inventories recognized as part of the cost of sales in the statement of income amounted to P69,273,035 and P53,464,673 in 2022 and 2021, respectively.

		<b>2022</b>		2021
Inventories at beginning of year	<b>P</b>	<b>12,653,743</b>	<b>P</b>	12,714,591
Deduct: Additions of inventory allowance		<b>(269,241)</b>		(326,648)
Adjusted Inventories at beginning of year		<b>12,384,502</b>		12,387,943
Add: Net purchases		<b>73,492,486</b>		53,730,473
Inventories available for sale		<b>85,876,988</b>		66,118,416
Less: Cost of sales		<b>69,273,035</b>		53,464,673
Inventories at end of year	<b>P</b>	<b>16,603,953</b>	<b>P</b>	12,653,743

Movements in the allowance for inventory losses are as follows:

		<b>2022</b>		2021
Balance at beginning of year	<b>P</b>	<b>466,265</b>	<b>P</b>	139,617
Additions during the year		<b>255,519</b>		326,648
Balance at end of year	<b>P</b>	<b>721,784</b>	<b>P</b>	466,265

## 7. Other Assets

This account consists of:

		<b>2022</b>		2021
<b>Current</b>				
Refundable deposits	<b>P</b>	<b>486,474</b>	<b>P</b>	281,259
Prepaid expenses		<b>300,869</b>		115,470
Total Other Current Assets		<b>787,343</b>		396,729
<b>Noncurrent</b>				
Prepaid expenses		<b>316,255</b>		254,255
Refundable deposits		<b>412,385</b>		176,508
Total Other Noncurrent Assets		<b>728,640</b>		430,763
<b>Total</b>	<b>P</b>	<b>1,515,983</b>	<b>P</b>	827,492

Prepaid tax consists of excess input tax over output tax.

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, 2022 are as follows:

		Leasehold Rights and Improvement		Office Equipment		Office Furniture and Fixtures		Building		Total
<b>Cost</b>										
Balance at beginning of year	P	1,561,247	P	2,596,581	P	205,645	P	561,000	P	4,924,473
Additions		1,382,539		974,081		199,359		-		2,555,979
Disposals		(208,788)		(91,377)		-		-		(300,165)
Transfer		561,000		-		-		(561,000)		-
Balance at end of year		3,295,998		3,479,285		405,004		-		7,180,287
<b>Accumulated Depreciation</b>										
Balance at beginning of year		1,338,986		1,919,054		192,400		168,300		3,618,740
Additions		315,932		510,095		29,890		-		855,917
Disposals		(208,788)		(91,377)		-		-		(300,165)
Transfer		168,300		-		-		(168,300)		-
Balance at end of year		1,614,430		2,337,772		222,290		-		4,174,492
<b>Net Book Value</b>	<b>P</b>	<b>1,681,568</b>	<b>P</b>	<b>1,141,513</b>	<b>P</b>	<b>182,714</b>	<b>P</b>	<b>-</b>	<b>P</b>	<b>3,005,795</b>

Details of property and equipment - net as of December 31, 2021 are as follows:

		Leasehold Improvement		Office Equipment		Office Furniture and Fixtures		Building		Total
<b>Cost</b>										
Balance at beginning of year	P	1,520,317	P	2,141,111	P	187,155	P	561,000	P	4,409,583
Additions		58,430		503,468		18,490		-		580,388
Disposals		(17,500)		(47,998)		-		-		(65,498)
Balance at end of year		1,561,247		2,596,581		205,645		561,000		4,924,473
<b>Accumulated Depreciation</b>										
Balance at beginning of year		1,139,869		1,530,034		186,750		112,200		2,968,853
Additions		216,034		436,917		5,650		56,100		714,701
Disposals		(16,917)		(47,897)		-		-		(64,814)
Balance at end of year		1,338,986		1,919,054		192,400		168,300		3,618,740
<b>Net Book Value</b>	<b>P</b>	<b>222,261</b>	<b>P</b>	<b>1,065,116</b>	<b>P</b>	<b>13,245</b>	<b>P</b>	<b>392,700</b>	<b>P</b>	<b>1,305,733</b>

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 20). Based on the usufruct agreement, CMDI gave the Company the right to use the 25.40 sqm lot property for 8 years with no monthly rental fee provided that the building cost will be shouldered by the Company. In 2022, the Company reclassified the building cost under the Leasehold Rights and Improvement.

Depreciation expenses are classified as a general and administrative expenses when the property and equipment are stationed in the head office and classified as selling and distribution expenses when the property and equipment are stationed in the various branches.



Breakdown of depreciation expense follows:

		2022		2021
Selling and distribution expense (Note 15)	P	587,314	P	381,925
General and administrative expense (Note 15)		268,603		332,776
	P	855,917	P	714,701

## 9. Intangible Assets - Net

The movements in this account follow:

		2022		2021
<b>Cost</b>				
Balance at beginning of year	P	1,357,002	P	976,109
Additions		286,110		380,893
Balance at end of year		1,643,112		1,357,002
<b>Accumulated amortization</b>				
Balance at beginning of the year		902,469		578,684
Amortization		417,814		323,785
Balance at end of the year		1,320,283		902,469
<b>Net book value</b>	P	322,829	P	454,533

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

		2022		2021
General and administrative expense (Note 15)	P	409,133	P	323,885
Selling and distribution expense (Note 15)		8,681		-
	P	417,814	P	323,885

## 10. Investment in Equity Security

This account consists of:

		2022		2021
<b>Investment in equity securities</b>				
Par Value	P	2,249,850	P	2,249,850
Add: Premium		357,276		357,276
		2,607,126		2,607,126

On July 22, 2021, the Company paid CARD Employees Multi-Purpose Cooperative for 44,997 shares with a par value of P50 of CARD MRI ASTRO Laboratories, Inc. which amounted to P2,607,126 (or with additional consideration of P357,276). The management does not intend to sell or assign the investment in securities within a year after the reporting period. The dividend income received from this investment is disclosed in Note 16.

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## 11. Investment in Government Securities

This account consists of:

		2022		2021
<b>Investment in government securities</b>				
Face Value	P	6,140,000	P	-
Less: Discount		(172,282)		-
	P	<b>5,967,718</b>	P	-

On October 14, 2022, the Company opened a Government Securities under BPI with a term of 5.39 years and a coupon rate of 5.75%. The face value of the investment in government securities is P6,140,000. The maturity date is on March 7, 2028.

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## 12. Trade and Other Payables

This account consists of:

		2022		2021
<b>Financial liabilities</b>				
Accounts payable (Note 20)	P	1,551,726	P	1,195,740
Accrued expenses		499,657		497,575
		<b>2,051,383</b>		1,693,315
<b>Nonfinancial liabilities</b>				
VAT payable		43,590		413,038
Others		434,290		469,013
		<b>477,880</b>		882,051
Total	P	<b>2,529,263</b>	P	2,575,366

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, accumulated and monetized vacation leave credits, and other expenses.

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.

### 13. Equity

#### Capital Stock

The Company's capital stock consists of:

	2022		2021	
	Shares	Amount	Shares	Amount
Common stock - P5 par value, 20,000,000 authorized shares				
Subscribed	<b>14,873,067</b>	<b>P 74,365,337</b>	14,581,440	P 72,907,202
Subscription receivable	<b>(3,495,206)</b>	<b>(17,476,031)</b>	(3,746,922)	(18,734,612)
Issued and outstanding	<b>11,377,861</b>	<b>P 56,889,306</b>	10,834,518	P 54,172,590

Movements in capital stock follow:

	2022		2021	
	Shares	Amount	Shares	Amount
Capital stock at beginning of year	<b>10,834,518</b>	<b>P 54,172,590</b>	9,444,275	P 47,221,375
Issuances of shares of stocks from settlement of subscriptions receivables	<b>251,716</b>	<b>1,258,581</b>	890,243	4,451,215
Stock dividends	<b>291,627</b>	<b>1,458,135</b>	500,000	2,500,000
Capital stock at end of year	<b>11,377,861</b>	<b>P 56,889,306</b>	10,834,518	P 54,172,590

#### Dividends

On May 31, 2022, the Board of Directors approved the declaration of dividends with a total amount of P4,374,435 comprising of; a) cash dividend amounting to P2,916,288 (equivalent to P0.20 per share); and b) stock dividend amounting to P1,458,135 (equivalent to P0.10 per share), based on Financial Statement Data and Stockholdings Books of Records as of April 30, 2022.

On November 29, 2021, the Board of Directors approved the declaration of cash dividends amounting to P3,645,360 (equivalent to P0.25 per share), based on Financial Statement Data and Stockholdings Books of Records as of September 30, 2021.

On March 31, 2021, the Board of Directors approved the declaration of stock dividends amounting to P2,500,000 or equivalent to P5.00 per share of common stock.

On August 31, 2020, the Board of Directors approved the declaration of stock dividends amounting to P10,000,000, equivalent to P5.00 per share of subscribed common stock based on July 2020 financial statement data.

#### Capital Management

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

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

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#### 14. Net Sales

The composition of net sales follows:

		<b>2022</b>		2021
Gross sales	<b>P</b>	<b>132,274,497</b>	<b>P</b>	107,077,898
Sales discount		<b>(1,372,841)</b>		(6,831,103)
Net sales	<b>P</b>	<b>130,901,656</b>	<b>P</b>	100,246,795

Gross sales pertain to revenue earned through the retail outlets.

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#### 15. Expenses

##### a. General and Administrative Expenses

This account consists of:

		<b>2022</b>		2021
Personnel expenses	<b>P</b>	<b>8,861,194</b>	<b>P</b>	7,353,055
Program monitoring and evaluation		<b>3,259,621</b>		4,975,344
Transportation and travel		<b>2,665,652</b>		1,637,576
Information technology		<b>1,663,023</b>		1,833,003
Janitorial, messengerial, and security		<b>1,521,470</b>		1,263,105
Rental (Note 18)		<b>696,285</b>		426,908
Supplies and materials		<b>598,341</b>		453,903
Provision on inventory losses		<b>255,519</b>		326,648
Amortization (Note 9)		<b>409,133</b>		323,885
Professional fees		<b>351,414</b>		530,111
Utilities		<b>334,609</b>		267,198
Repair and maintenance		<b>320,404</b>		48,108
Advertising and publicity		<b>290,138</b>		86,347
Seminars and meetings		<b>277,147</b>		183,535
Depreciation (Note 8)		<b>268,603</b>		332,776
Staff training and development		<b>189,873</b>		34,279
Insurance expense		<b>183,090</b>		132,342
Communication and postage		<b>169,328</b>		228,415
Taxes and licenses		<b>6,870</b>		169,767
Provision on doubtful accounts		-		587,446
Supervision and examination		-		9,375
Membership and dues		-		3,000
Others		<b>719,140</b>		381,809
	<b>P</b>	<b>23,040,854</b>	<b>P</b>	21,587,935

Others include accounting and management services, interest expenses, and garbage disposal expenses.

**b. Selling and Distribution Expenses**

This account consists of:

		2022		2021
Personnel expenses	P	8,487,718	P	7,330,135
Transportation and travel		3,774,765		2,247,301
Rental (Note 18)		2,354,965		1,763,094
Janitorial, messengerial, and security		1,475,557		811,922
Supplies and materials		1,203,254		449,206
Utilities		845,474		647,288
Taxes and licenses		783,508		597,535
Depreciation (Note 8)		587,314		381,925
Communication and postage		481,302		254,069
Information technology		325,719		256,714
Staff training and development		50,282		10,017
Program monitoring and evaluation		12,409		214,921
Amortization		8,681		-
Others		482,981		210,782
	P	20,873,929	P	15,174,909

Others include insurance expenses, repairs and maintenance, employees' seminars and meeting expenses, and advertising and publicity expenses.

*Personnel Expenses mainly consist of:*

		2022		2021
Salaries and wages	P	9,089,727	P	8,024,936
Employee benefits and contribution expenses		7,892,166		6,323,311
Retirement benefits (Note 17)		367,019		334,943
	P	17,348,912	P	14,683,190

**16. Other Income (Charges) - Net**

		2022		2021
Interest income	P	615,100	P	494,257
Service fee income		40,396		822,973
Dividend income (Note 10)		337,478		224,985
Actuarial gain (loss) on retirement plan		420,679		(369,217)
Reversal of provision on doubtful accounts		45,011		-
Fines and penalties		(460,780)		(1,854,923)
	P	997,884	P	(681,925)

Reversal of provision on doubtful accounts pertains to adjustments on the allowance for credit losses for trade receivables (see Note 5).

## 17. 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 the 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, 2022.

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

		<b>2022</b>		2021
Fair value of plan assets	<b>P</b>	<b>11,574,184</b>	<b>P</b>	10,564,579
Present value of defined benefit obligation		<b>(5,776,769)</b>		(5,900,778)
Effect of asset ceiling		<b>(1,717,590)</b>		(859,327)
<b>Retirement asset</b>	<b>P</b>	<b>4,079,825</b>	<b>P</b>	3,804,474

The composition of retirement expense in 2022 and 2021 as reported under personnel expenses in "General and administrative expenses" and "Selling and distribution expenses" in the statement of income follow:

		<b>2022</b>		2021
Interest income on plan assets	<b>P</b>	<b>(553,143)</b>	<b>P</b>	(387,986)
Current service cost		<b>574,720</b>		505,291
Interest expense on retirement obligation		<b>301,530</b>		181,210
Interest on the effect of the asset ceiling		<b>43,912</b>		36,428
	<b>P</b>	<b>367,019</b>	<b>P</b>	334,943

The movements in the fair value of plan assets follow:

		<b>2022</b>		2021
Balance at beginning of year	<b>P</b>	<b>10,564,579</b>	<b>P</b>	9,976,238
Interest income		<b>553,143</b>		387,986
Remeasurement gain (loss) - return on plan assets		<b>(63,796)</b>		49,948
Transfers to the plan		<b>1,307,542</b>		38,921
Benefits paid from plan assets		<b>(1,008,975)</b>		(59,214)
Contributions paid by employer		<b>221,691</b>		170,700
<b>Balance at end of year</b>	<b>P</b>	<b>11,574,184</b>	<b>P</b>	<b>10,564,579</b>

The movements in the present value of obligation follow:

		<b>2022</b>		2021
Balance at beginning of year	<b>P</b>	<b>5,900,778</b>	<b>P</b>	4,694,571
Actuarial (gains) losses from changes in:				
Financial assumptions		<b>(1,495,885)</b>		491,202
Experience		<b>250,921</b>		63,621
Demographic assumptions		<b>(53,862)</b>		(14,824)
Benefits paid from plan assets		<b>(1,008,975)</b>		(59,214)
Transfers to the plan		<b>1,307,542</b>		38,921
Current service cost		<b>574,720</b>		505,291
Interest expense on retirement obligation		<b>301,530</b>		181,210
<b>Balance at end of year</b>	<b>P</b>	<b>5,776,769</b>	<b>P</b>	<b>5,900,778</b>

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

		<b>2022</b>		2021
Remeasurement gain – change in the effect of asset ceiling	<b>P</b>	<b>814,351</b>	<b>P</b>	(120,834)
Actuarial (gain) loss – defined benefit obligation		<b>(1,298,826)</b>		539,999
Remeasurement (gain) loss – plan assets		<b>63,796</b>		(49,948)
<b>Actuarial gain on retirement plan</b>	<b>P</b>	<b>(420,679)</b>	<b>P</b>	<b>369,217</b>

The latest actuarial valuation report covers reporting period as of December 31, 2022 and 2021.

The Retirement Trust Fund assets are valued by the fund manager at fair value using the mark-to-market valuation. While no significant changes in asset allocation are expected in the next financial year, the Retirement Plan Trustee may make changes at any time.

	<b>2022</b>	2021
Cash and cash equivalents	<b>16.39%</b>	40.74%
Debt instruments - government bonds	<b>68.65%</b>	42.95%
Debt instruments - other bonds	<b>8.39%</b>	5.58%
Loan receivables	<b>0.00%</b>	8.46%
Other	<b>6.57%</b>	2.27%
	<b>100.00%</b>	100.00%

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

	<b>2022</b>	2021
Discount rate	<b>7.26%</b>	5.11%
Future salary increase	<b>5.00%</b>	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:

		<b>Increase (Decrease) in Present Value of Obligation</b>						
		<b>2022</b>		2021				
		<b>+100</b>	<b>-100</b>	+100	-100			
Discount rates	<b>P</b>	<b>(540,364)</b>	<b>P</b>	<b>631,281</b>	<b>P</b>	(628,812)	<b>P</b>	743,886
Future salary increases		<b>639,408</b>		<b>(556,022)</b>		737,093		(634,979)

The average duration of the defined benefit obligation at the end of each reporting period is 10.1 years and 12.8 years in 2022 and 2021, respectively.

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

	<b>2022</b>	2021
Less than 1 year	<b>392,387</b>	300,003
More than 1 year to 5 years	<b>1,971,849</b>	1,523,629
More than 5 years to 10 years	<b>5,554,950</b>	4,747,859



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**18. Leases**
**Operating Lease Agreement**

The Company has twenty-four (24) and fifteen (15) outstanding lease contracts as of December 31, 2022 and 2021, respectively, for the lease of branch premises with original lease terms ranging from one (1) year to five (5) years and are renewable upon mutual agreement.

The distribution of rental expenses is as follows:

		<b>2022</b>		2021
Selling and distribution expenses (Note 15)	<b>P</b>	<b>2,354,965</b>	P	1,763,094
General and administrative expenses (Note 15)		<b>696,285</b>		426,908
	<b>P</b>	<b>3,051,250</b>	P	2,190,002

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**19. Income Taxes**
**a. 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 2022 and 2021, the Company opted to continue claiming the itemized deduction.

**b. CREATE Act**

On March 26, 2021, the Republic Act (RA) 11534, known as "The Corporate Recovery or Tax incentives for Enterprises Act" (Create Act), was passed into law. The salient provisions of the Create Act applicable to the Company are as follow:

- Effective July 1, 2020, the corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5,000,000 and with total assets not exceeding P100,000,000, excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed at 20%. All other domestic corporations and resident foreign corporations will be subject to a 25% income tax;
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% effective July 1, 2020, to June 30, 2023;
- The imposition of improperly accumulated earnings is repealed.

c. Tax Computation

<b>Regular Corporate Income Tax (RCIT)</b>		<b>2022</b>		<b>2021</b>
Revenue	P	<b>130,901,656</b>	P	100,246,795
Less: Cost of Sales and Services		<b>(69,273,035)</b>		(53,464,673)
Gross Income from Operation		<b>61,628,621</b>		46,782,122
Add: Other income		<b>40,396</b>		822,973
Total Gross Income		<b>61,669,017</b>		47,605,095
Less: Itemized deduction		<b>(43,513,936)</b>		(35,585,656)
Taxable income	P	<b>18,155,081</b>	P	12,019,439
Income tax expense - at 25%	P	<b>4,538,770</b>	P	3,004,860
MCIT - at 1%		<b>616,690</b>		476,051
Total income tax due		<b>4,538,770</b>		3,004,860
Income taxes paid and tax credits		<b>(3,391,125)</b>		(799,702)
Income tax payable	P	<b>1,147,645</b>	P	2,205,158

d. Reconciliation

Reconciliation between accounting income and taxable income is presented below:

<b>Regular Corporate Income Tax (RCIT)</b>		<b>2022</b>		<b>2021</b>
Accounting income	P	<b>18,711,722</b>	P	9,337,353
Permanent differences:				
Interest income subject to final tax		<b>(615,100)</b>		(494,257)
Dividend income		<b>(337,478)</b>		(224,985)
Fines and penalties		<b>460,780</b>		1,854,923
Interest expense		-		98,851
Temporary differences:				
Provision for inventory losses		<b>255,519</b>		326,648
Reversal of provision for doubtful account		<b>(45,011)</b>		-
Provision for doubtful account		-		587,446
Contributions to retirement fund		<b>(221,691)</b>		(170,700)
Retirement expense		<b>367,019</b>		334,943
Actuarial (gain) loss on retirement plan		<b>(420,679)</b>		369,217
Taxable income	P	<b>18,155,081</b>	P	12,019,439

e. The provision for income tax consists of:

		<b>2022</b>		<b>2021</b>
Income tax - current	P	<b>4,538,770</b>	P	3,004,860
Income tax adjustment (effect of CREATE Act in 2021)		-		(192,235)
Final tax		<b>123,020</b>		146,816
	P	<b>4,661,790</b>	P	2,959,441

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## 20. 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.

### 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 total remuneration of the members of key management included under 'Personnel expenses' in the statement of income amounted to P4,839,238 and P3,476,136 as of December 31, 2022 and 2021, respectively.

### 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, 2020, 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, 2022 and 2021 are as follows:

				December 31, 2022	
Category		Amount / Volume	Outstanding Balance	Nature, Terms and Conditions	
<b>Stockholder</b>					
Trade receivables			P	-	Pertains to the sale of medicines and expenses incurred in community visits.
Billings	P	37,319,870			
Collections		37,319,870			
Accounts payable				-	Pertains to share in expenses and rental payments.
Charges		7,568,544			
Payments		7,568,544			
<b>Affiliates</b>					
Cash in bank				441,772	This pertains to checking and savings accounts with an annual interest rate ranging from 0.5% to 4.0%.
Deposits		159,216,169			
Withdrawals		159,175,500			
Interest income		401,102			This pertains to interest earned from the savings account, current account, and time deposits.
Trade receivables				-	
Billings		62,806,105			
Collections		62,806,105			
Accounts payable				13,926	Pertains to lease of office computers, vehicle, service charges and share in expenses.
Charges		3,957,877			
Payments		3,943,951			
				December 31, 2021	
Category		Amount /	Outstanding	Nature, Terms and Conditions	
<b>Stockholder</b>					
Trade receivables			P	(817,911)	Pertains to the sale of medicines and expenses incurred in community visits.
Billings	P	31,657,294			
Collections		32,475,205			
Accounts payable				-	Pertains to share in expenses and rental payments.
Charges		3,345,536			
Payments		3,345,536			
<b>Affiliates</b>					
Cash in bank				16,462,369	This pertains to checking and savings accounts with an annual interest rate ranging from 0.5% to 4.0%.
Deposits		129,424,694			
Withdrawals		113,299,731			
Interest income		337,405			This pertains to interest earned from the savings account, current account, and time deposits.
Trade receivables				(7,760,398)	
Billings		56,497,798			
Collections		64,258,197			
Accounts payable				(7,273)	Pertains to lease of office computers, vehicle, service charges and share in expenses.
Charges		4,585,872			
Payments		4,593,145			

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## 21. Other Matter

### COVID-19 Impacts

Since December 31, 2019 to December 31, 2022, the spread of COVID-19 has severely impacted many economies around the globe. In many countries, businesses were 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. In the Philippines, varying quarantine measures were implemented beginning on March 17, 2020.

The Company's management has assessed and addressed the impacts of COVID-19. As of December 31, 2022 and 2021, all COVID-19 determinable impacts on the Company's 2022 financial statements have been either adjusted or disclosed.

Uncertainties due to COVID-19 may still exist as the pandemic has not been officially declared over globally (although the state of public health emergency in the Philippines has been extended only until December 31, 2022). Even so, management confirms the validity of the going concern assumption for the Company. The Company has adequate funds and liquidity for its subsequent operations.

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## 22. 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 23, 2023.

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## 23. Supplementary Information Required by the Bureau of Internal Revenue (BIR)

### **I. Revenue Regulation No. 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. The VAT rate is 12.0%, effective February 1, 2006. The Company's application for VAT registration has already been approved on May 6, 2013.

Sales/Receipts:

VATable sales/receipts	<b>P</b>	<b>123,865,261</b>
Exempt sales/receipts		<b>2,114,659</b>
	<b>P</b>	<b>125,979,919</b>

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**Purchases:**

Domestic Purchases of Ordinary Goods	<b>P</b>	<b>72,358,901</b>
Domestic Purchases of Services		<b>10,331,142</b>
	<b>P</b>	<b>82,690,043</b>

Details of the Company's VAT are as follows:

Output Tax	<b>P</b>	<b>14,863,831</b>
Input Tax:		
Domestic Purchases of Ordinary Goods		<b>(8,683,068)</b>
Domestic Purchases of Services		<b>(1,239,737)</b>
VAT Payable		<b>4,941,026</b>
Less: Tax Payments		<b>(4,897,436)</b>
VAT still due	<b>P</b>	<b>43,590</b>

**Other Taxes and Licenses**

Business permit fees and other licenses	<b>P</b>	<b>750,955</b>
Registration fees		<b>7,500</b>
Documentary stamp tax		<b>6,378</b>
Others		<b>25,545</b>
	<b>P</b>	<b>790,378</b>

**Withholding Taxes**

The taxes withheld paid and accrued which are reported as part of others under 'trade and other payable' as of December 31, 2022 are as follows:

		Paid		Payable
Withholding tax on compensation and benefits	<b>P</b>	<b>214,126</b>	<b>P</b>	<b>228,022</b>
Expanded withholding tax		<b>1,107,926</b>		<b>88,654</b>
	<b>P</b>	<b>1,322,052</b>	<b>P</b>	<b>316,676</b>

**Tax Assessments and Cases**

The Company received a Letter of Authority (SN: eLA201500005056/LOA-055-2022-00000230) dated July 27, 2021, for the investigation of all internal revenue tax liabilities for the period January 1, 2020 to December 31, 2020. On March 29, 2022, the Company paid P500,437 in tax discrepancies based on the received Notice of Discrepancy (dated March 24, 2022).