

BOTICARD INC.

Financial Statements

December 31, 2023 and 2022

and

Independent Auditor's Report

ENDRIGA, MANANGU & ASSOCIATES
Certified Public Accountants

BOTICARD INC.**STATEMENTS OF FINANCIAL POSITION**

		As of December 31	
	<i>Notes</i>	2023	2022
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3, 5	₱ 25,659,182	₱ 42,582,812
Short-term investments	3, 6	33,996,600	-
Trade and other receivables - net	3, 7	2,290,638	2,571,023
Inventories	3, 4, 8	20,391,051	16,603,953
Other current assets	3, 9	552,419	787,343
Total Current Assets		82,889,890	62,545,131
NONCURRENT ASSETS			
Property and equipment - net	3, 10	4,631,355	3,005,795
Intangible assets - net	3, 11	428,719	322,829
Retirement asset - net	3, 19	2,590,589	4,079,825
Investment in equity securities	3, 12	2,607,126	2,607,126
Investment in government securities	3, 13	5,967,718	5,967,718
Other noncurrent assets	3, 9	1,299,708	728,640
Total Noncurrent Assets		17,525,215	16,711,933
TOTAL ASSETS		₱ 100,415,105	₱ 79,257,064
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	3, 14	₱ 5,996,812	₱ 2,529,263
Income tax payable	3, 21	1,836,710	1,147,646
Total Current Liabilities		7,833,522	3,676,909
EQUITY			
Capital stock	3, 15	65,776,655	56,889,306
Retained earnings	3, 15	26,804,928	18,690,849
Total Equity		92,581,583	75,580,155
TOTAL LIABILITIES AND EQUITY		₱ 100,415,105	₱ 79,257,064

See accompanying Notes to Financial Statements.



BOTICARD INC.**STATEMENTS OF INCOME**

For the Years Ended December 31			
	<i>Notes</i>	2023	2022
NET SALES	3, 16	₱ 173,956,324	₱ 130,901,656
COST OF SALES	3, 8	91,090,319	69,273,035
GROSS PROFIT		82,866,005	61,628,621
GENERAL AND ADMINISTRATIVE EXPENSES	3, 17	26,029,194	23,040,854
SELLING AND DISTRIBUTION EXPENSES	3, 17	28,765,892	20,873,929
OPERATING INCOME		28,070,919	17,713,838
OTHER INCOME (CHARGES) - NET	3, 18	(22,198)	997,884
NET INCOME BEFORE TAX		28,048,721	18,711,722
PROVISION FOR INCOME TAX	3, 21	7,292,539	4,661,791
NET INCOME AFTER TAX		₱ 20,756,182	₱ 14,049,931

See accompanying Notes to Financial Statements.



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

	<i>Notes</i>	As of December 31	
		2023	2022
CAPITAL STOCK	3, 15	₱ 65,776,655	₱ 56,889,306
RETAINED EARNINGS	3, 15		
Balance at beginning of year		18,690,849	9,015,350
Stock dividend declaration		-	(1,458,135)
Cash dividend declaration		(12,642,103)	(2,916,297)
Net income after income tax		20,756,182	14,049,931
Balance at end of year		26,804,928	18,690,849
TOTAL EQUITY		₱ 92,581,583	₱ 75,580,155

See accompanying Notes to Financial Statements.

BOTICARD INC.**STATEMENTS OF CASH FLOWS**

		Years Ended December 31	
	<i>Notes</i>	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		₱ 28,048,721	₱ 18,711,722
Adjustments for:			
Interest income	18	(1,413,480)	(615,100)
Depreciation and amortization	10, 11, 17	1,497,005	1,273,731
Retirement expense	19	158,829	367,019
Actuarial gain (loss) on retirement plan	18, 19	1,755,543	(420,679)
Operating income before working capital changes		30,046,618	19,316,693
Changes in operating assets and liabilities			
(Increase) decrease in the amounts of:			
Trade and other receivables	7	280,385	(1,053,852)
Inventories	8	(3,787,098)	(3,950,210)
Other assets	9	(336,144)	(688,491)
Increase (decrease) in the amounts of:			
Trade and other payables	14	3,467,549	(46,103)
Net cash generated from operations		29,671,310	13,578,037
Interest income received	18	1,413,480	615,100
Income taxes paid	21	(6,603,475)	(5,719,303)
Contribution to retirement fund	19	(425,136)	(221,691)
Net cash flow provided by operating activities		24,056,179	8,252,143
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	10	(2,877,742)	(2,555,979)
Acquisition of intangible assets	11	(350,713)	(286,110)
Increase in investment in government securities	13	-	(5,967,718)
Increase in short-term investments	6	(33,996,600)	-
Net cash flow used in investing activities		(37,225,055)	(8,809,807)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid	15	(12,642,103)	(2,916,297)
Proceeds from issuance of capital stock	15	8,887,349	1,258,581
Net cash flow used in financing activities		(3,754,754)	(1,657,716)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(16,923,630)	(2,215,380)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		42,582,812	44,798,192
CASH AND CASH EQUIVALENTS AT END OF YEAR		₱ 25,659,182	₱ 42,582,812

See accompanying Notes to Financial Statements.

BOTICARD INC.

NOTES TO FINANCIAL STATEMENTS

As of and for the years ended December 31, 2023 and 2022

1. Corporate Information

BotiCARD Inc. (the Company) was incorporated and duly registered with the Philippine Securities and Exchange Commission (SEC) on May 20, 2011, with an SEC registration number of CN201108228. The Company is a member of the Center for Agriculture and Rural Development – Mutually Reinforcing Institutions (CARD-MRI; the Group) 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.

As of December 31, 2023 and 2022, the Company is 30.05% owned by the CARD Mutual Benefit Association (MBA), Inc., a major stockholder.

The Company's principal place of business and principal office address is 755 B- Moret St., Brgy. 398, Zone 41, Sampaloc, Manila.

As of December 31, 2023, the Company has one (1) warehouse, fourteen (14) branches, and three (3) Retail Outlets For Non-Prescription Drugs (RONPD) located in the Philippines. As of December 31, 2022, the Company has one (1) warehouse and twelve (12) branches 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 Pesos (₱), 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).

The Company's total assets as of December 31, 2023 exceeded the threshold provided by SEC for the PFRS for SEs framework and will be reporting its financial statements in compliance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs) framework starting January 1, 2024.

3. Summary of Significant Accounting Policies

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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 and cash equivalents include cash on hand and in bank and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are 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 measured at amortized cost are the Company's 'Trade and other receivables' and 'Short-term investments' accounts 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.

Intangible Assets

The intangible assets represent the point-of-sale (POS) systems, accounting and inventory management systems, and online ordering systems acquired by the Company that are stated at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized over its estimated life of three (3) years using the straight-line method.

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 rights and improvement	3 years
Office equipment	3 years
Office furniture and fixtures	3 years
Office computer	5 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 statement of income in the period in which they arise.

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 (see Note 21). The MCIT is compared with the regular income tax, and whichever is higher shall be the 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.

4. 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, 2023 and 2022, 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 8.

(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 19.

5. Cash and Cash Equivalents

This account consists of:

		2023		2022
Cash equivalents	₱	18,228,056	₱	33,179,800
Cash in banks (Note 22)		7,056,626		9,035,512
Cash on hand		374,500		367,500
	₱	25,659,182	₱	42,582,812

Cash equivalents represent time deposits with terms of 30 to 91 days replacements which bear annual interest rates of 1% to 4.55% and 1.5% to 2.5% in 2023 and 2022, respectively. Cash in banks earns interest at the respective bank deposit rates.

Interest income earned from cash and cash equivalents amounted to ₱952,418 and ₱566,065 in 2023 and 2022, respectively.

6. Short-term investments

In 2023, the Company bought 6 treasury bills with terms of 176 days to 1 year which bear annual interest rates of 5.9% to 6.215%.

The movements in this account follow:

		2023		2022
Face value				
Placements during the year	₱	41,457,000	₱	-
Redemption		(6,050,000)		-
		35,407,000		-
Discount				
Balance at January 1				
Discount on acquired investment		(1,460,839)		-
Amortization of discount		50,439		-
		(1,410,400)		-
Carrying value	₱	33,996,600	₱	-

Interest income earned from short-term investments amounted to ₱461,062 and ₱0 (nil) in 2023 and 2022, respectively.

7. Trade and Other Receivables - Net

This account consists of:

		2023		2022
Trade receivables (Note 22)	₱	2,498,534	₱	3,225,127
Allowance for credit losses (Note 18)		(207,896)		(654,104)
	₱	2,290,638	₱	2,571,023

Trade receivables are non-interest bearing and are generally collectable within 30 to 90 days following the sale of goods. Other receivables encompass cash deficits arising from operations and loans for medicine provided to CARD-MRI employees.

Movements in the allowance for credit losses are as follows:

		2023		2022
Balance at beginning of year	₱	654,104	₱	699,115
Written-off		(261,120)		-
Reversal during the year (Note 18)		(185,088)		(45,011)
Balance at end of year	₱	207,896	₱	654,104

8. 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.

		2023		2022
Cost	₱	21,222,196	₱	17,325,738
Allowance for inventory losses		(831,145)		(721,784)
Carrying value		20,391,051		16,603,953
Market value		35,712,867		26,686,430
Lower of cost and market value	₱	20,391,051	₱	16,603,953

Inventories recognized as part of the cost of sales in the statement of income amounted to ₱91,090,319 and ₱69,273,035 in 2023 and 2022, respectively.

		2023		2022
Inventories at beginning of year	₱	16,603,953	₱	12,653,743
Deduct: Additions of inventory allowance		(109,361)		(269,241)
Adjusted Inventories at beginning of year		16,494,592		12,384,502
Add: Net purchases		94,986,778		73,492,486
Inventories available for sale		111,481,370		85,876,988
Less: Cost of sales		(91,090,319)		(69,273,035)
Inventories at end of year	₱	20,391,051	₱	16,603,953

Movements in the allowance for inventory losses are as follows:

		2023		2022
Balance at beginning of year	₱	721,784	₱	466,265
Additions during the year		109,361		255,519
Balance at end of year	₱	831,145	₱	721,784

9. Other Assets

This account consists of:

	2023	2022
Current		
Prepaid expenses	₱ 506,150	₱ 300,869
Refundable deposits	46,269	486,474
Total Other Current Assets	552,419	787,343
Noncurrent		
Refundable deposits	979,668	412,385
Prepaid expenses	320,040	316,255
Total Other Noncurrent Assets	1,299,708	728,640
Total	₱ 1,852,127	₱ 1,515,983

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.

10. Property and Equipment - Net

Details of property and equipment - net as of December 31, 2023 are as follows:

	Leasehold Rights and Improvement	Office Equipment	Office Computer	Office Furniture and Fixtures	Total
Cost					
Balance at beginning of year	₱ 3,295,998	₱ 3,479,285	₱ -	₱ 405,004	₱ 7,180,287
Transfers	-	(2,179,637)	2,084,637	-	(95,000)
Additions	1,840,232	484,349	531,161	22,000	2,877,742
Disposals	(526,343)	(306,548)	(496,046)	(12,500)	(1,341,437)
Balance at end of year	4,609,887	1,477,449	2,119,752	414,504	8,621,592
Accumulated Depreciation					
Balance at beginning of year	1,614,430	2,337,772	-	222,290	4,174,492
Transfers	-	(1,584,889)	1,489,990	-	(94,899)
Additions	726,587	275,154	173,444	76,896	1,252,081
Disposals	(526,343)	(306,548)	(496,046)	(12,500)	(1,341,437)
Balance at end of year	1,814,674	721,489	1,167,388	286,686	3,990,237
Net Book Value	₱ 2,795,213	₱ 755,960	₱ 952,364	₱ 127,818	₱ 4,631,355

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
Cost								
Balance at beginning of year	₱	1,561,247	₱	2,596,581	₱	205,645	₱ 561,000	₱ 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
Accumulated Depreciation								
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
Net Book Value	₱	1,681,568	₱	1,141,513	₱	182,714	₱ -	₱ 3,005,795

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 22). 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.

In 2023, the Company reclassified the cost of its computer software system under the Intangible assets (Note 11).

The cost of fully depreciated property and equipment still in use as of December 31, 2023 and 2022 amounted to ₱2,051,294 and ₱3,037,234, respectively.

The Company disposed of fully depreciated and nonworking property and equipment that amounted to ₱300,165 and ₱1,341,436 as of December 31, 2023 and 2022, respectively.

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:

	2023		2022	
Selling and distribution expense (Note 17)	₱	992,475	₱	587,314
General and administrative expense (Note 17)		259,606		268,603
	₱	1,252,081	₱	855,917

11. Intangible Assets - Net

The movements in this account follow:

	2023	2022
Cost		
Balance at beginning of year	₱ 1,643,112	₱ 1,357,002
Transfers	95,000	-
Additions	350,713	286,110
Balance at end of year	2,088,825	1,643,112
Accumulated amortization		
Balance at beginning of the year	1,320,283	902,469
Transfers	94,899	-
Amortization	244,924	417,814
Balance at end of the year	1,660,106	1,320,283
Net book value	₱ 428,719	₱ 322,829

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:

	2023	2022
General and administrative expense (Note 17)	₱ 220,123	₱ 409,133
Selling and distribution expense (Note 17)	24,801	8,681
	₱ 244,924	₱ 417,814

12. Investment in Equity Securities

This account consists of:

	2023	2022
Investment in equity securities		
Par value (₱50 par value, 44,997 shares)	₱ 2,249,850	₱ 2,249,850
Add: Premium	357,276	357,276
	₱ 2,607,126	₱ 2,607,126

The investment refers to the equity securities held in CARD-MRI Astro Laboratories, Inc., representing an ownership stake in the entity. 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 18.

In 2023 and 2022, the Company received cash dividends that amounted to ₱67,496 and ₱337,478, respectively.

13. Investment in Government Securities

This account consists of:

	2023		2022	
Investment in government securities				
Face value	₱	6,140,000	₱	6,140,000
Less: Discount		(172,282)		(172,282)
	₱	5,967,718	₱	5,967,718

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 ₱6,140,000. The maturity date is on March 7, 2028.

14. Trade and Other Payables

This account consists of:

	2023		2022	
Financial liabilities				
Accounts payable (Note 22)	₱	2,023,547	₱	1,551,726
Accrued expenses		944,559		499,657
		2,968,106		2,051,383
Nonfinancial liabilities				
VAT payable		2,375,320		43,590
Others		653,386		434,290
		3,028,706		477,880
Total	₱	5,996,812	₱	2,529,263

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 accumulated and monetized vacation leave credits, and other expenses.

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

Others consist of liabilities due to various government institutions such as withholding taxes, Social Security Services (SSS), PhilHealth, and PAGIBIG fund.

15. Equity

Capital Stock

The Company's capital stock consists of:

	2023		2022	
	Shares	Amount	Shares	Amount
Common stock - ₱5 par value, 20,000,000 authorized shares				
Subscribed	20,000,000	₱ 100,000,000	14,873,067	₱ 74,365,337
Subscription receivable	(6,844,669)	(34,223,346)	(3,495,206)	(17,476,031)
Issued and outstanding	13,155,331	₱ 65,776,655	11,377,861	₱ 56,889,306

Movements in capital stock follow:

	2023		2022	
	Shares	Amount	Shares	Amount
Capital stock at beginning of year	11,377,861	₱ 56,889,306	10,834,518	₱ 54,172,590
Issuances of shares of stocks from settlement of subscriptions receivables	1,777,470	8,887,349	251,716	1,258,581
Stock dividends	-	-	291,627	1,458,135
Capital stock at end of year	13,155,331	₱ 65,776,655	11,377,861	₱ 56,889,306

Dividends

On November 30, 2023, the Board of Directors approved the declaration of cash dividends amounting to ₱3,718,267 (equivalent to ₱0.25 per share), based on Financial Statement Data and Stockholdings Books of Records as of December 31, 2022.

On April 28, 2023, the Board of Directors approved the declaration of cash dividends amounting to ₱8,923,840 (equivalent to ₱0.60 per share), based on Financial Statement Data and Stockholdings Books of Records as of December 31, 2022.

On May 31, 2022, the Board of Directors approved the declaration of dividends with a total amount of ₱4,374,435 comprising of; a) cash dividend amounting to ₱2,916,288 (equivalent to ₱0.20 per share); and b) stock dividend amounting to ₱1,458,135 (equivalent to ₱0.10 per share), based on Financial Statement Data and Stockholdings Books of Records as of April 30, 2022.

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.

16. Net Sales

The composition of net sales follows:

	2023	2022
Gross sales	₱ 175,897,360	₱ 132,274,497
Sales discount	(1,941,036)	(1,372,841)
Net sales	₱ 173,956,324	₱ 130,901,656

Gross sales pertain to revenue earned through the retail outlets.

Breakdown of sales follows:

	2023	2022
Recurring sales	₱ 167,445,753	₱ 130,901,656
Non-recurring sales	6,510,571	-
Net sales	₱ 173,956,324	₱ 130,901,656

Recurring sales represents the standard, ongoing sales activities that form the core of the Company's business and revenue generation model.

Non-recurring sales in 2023 include significant non-recurring sales amounting to ₱6,510,571. This notably includes a special order from the Center for Agriculture and Rural Development (CARD), Inc., wherein products were purchased from BotiCARD Inc. These sales are considered non-recurring due to their one-off nature and the fact that these are not expected to be a regular occurrence in the operational revenue streams.

17. Expenses**a. General and Administrative Expenses**

This account consists of:

	2023	2022
Personnel expenses	₱ 11,743,766	₱ 8,861,194
Rental (Note 20)	2,699,405	696,285
Janitorial, messengerial, and security	2,017,827	1,521,470
Program monitoring and evaluation	1,289,185	3,259,621
Transportation and travel	1,284,826	2,665,652
Seminars and meetings	1,175,691	277,147
Outsourced services	1,074,000	-
Information technology	791,321	1,663,023
Supplies and materials	632,545	598,341
Advertising and publicity	560,231	290,138
Staff training and development	502,806	189,873
Repair and maintenance	379,267	320,404
Professional fees	376,801	351,414
Utilities	331,498	334,609
Depreciation (Note 10)	259,606	268,603
Insurance expense	236,669	183,090
Amortization (Note 11)	220,123	409,133
Communication and postage	162,106	169,328
Taxes and licenses	139,950	6,870
Provision for inventory losses	109,361	255,519
Others	42,210	719,140
	₱ 26,029,194	₱ 23,040,854

Others include interest expenses, garbage disposal expenses, and other petty expenses in 2023. Others include financial and tax management services, interest expenses, and garbage disposal expenses in 2022.

b. Selling and Distribution Expenses

This account consists of:

	2023	2022
Personnel expenses	₱ 12,432,618	₱ 8,487,718
Transportation and travel	3,175,540	3,774,765
Rental (Note 20)	2,894,960	2,354,965
Janitorial, messengerial, and security	2,110,441	1,475,557
Communication and postage	1,798,240	481,302
Supplies and materials	1,209,903	1,203,254
Utilities	1,109,278	845,474
Taxes and licenses	1,072,377	783,508
Depreciation (Note 10)	992,475	587,314
Staff training and development	591,288	50,282
Information technology	461,285	325,719
Amortization (Note 11)	24,801	8,681
Program monitoring and evaluation	-	12,409
Others	892,686	482,981
	₱ 28,765,892	₱ 20,873,929

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

Personnel Expenses mainly consist of:

		2023		2022
Salaries and wages	₱	12,639,362	₱	9,089,727
Employee benefits and contribution expenses		11,378,193		7,892,166
Retirement benefits (Note 19)		158,829		367,019
	₱	24,176,384	₱	17,348,912

18. Other Income (Charges) - Net

		2023		2022
Interest income	₱	1,413,480	₱	615,100
Reversal of provision for doubtful accounts		185,088		45,011
Service fee income		104,406		40,396
Dividend income (Note 15)		67,496		337,478
Fines and penalties		(37,125)		(460,780)
Actuarial gain (loss) on retirement plan		(1,755,543)		420,679
	₱	(22,198)	₱	997,884

Reversal of provision for doubtful accounts pertains to adjustments on the allowance for credit losses for trade receivables (see Note 7).

19. Retirement Benefits

The Group maintains 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 latest actuarial valuation report covers reporting period as of December 31, 2023 and 2022.

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

		2023		2022
Fair value of plan assets	₱	14,122,019	₱	11,574,184
Present value of defined benefit obligation		(11,194,819)		(5,776,769)
Effect of asset ceiling		(336,611)		(1,717,590)
Retirement asset	₱	2,590,589	₱	4,079,825

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

	2023	2022
Interest income on plan assets	₱ (923,088)	₱ (553,143)
Current service cost	537,827	574,720
Interest expense on retirement obligation	419,393	301,530
Interest on the effect of the asset ceiling	124,697	43,912
	₱ 158,829	₱ 367,019

The movements in the fair value of plan assets are as follows:

	2023	2022
Balance at beginning of year	₱ 11,574,184	₱ 10,564,579
Interest income	923,088	553,143
Remeasurement loss - plan assets	(656,310)	(63,796)
Transfers to the plan	1,855,921	1,307,542
Benefits paid from plan assets	-	(1,008,975)
Contributions paid by employer	425,136	221,691
Balance at end of year	₱ 14,122,019	₱ 11,574,184

The movements in the present value of obligation are as follows:

	2023	2022
Balance at beginning of year	₱ 5,776,769	₱ 5,900,778
Actuarial (gains) losses from changes in:		
Financial assumptions	1,124,858	(1,495,885)
Experience	1,482,014	250,921
Demographic assumptions	(1,963)	(53,862)
Benefits paid from plan assets	-	(1,008,975)
Transfers to the plan	1,855,921	1,307,542
Current service cost	537,827	574,720
Interest expense on retirement obligation	419,393	301,530
Balance at end of year	₱ 11,194,819	₱ 5,776,769

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

	2023	2022
Remeasurement (gain) loss – change in the effect of asset ceiling	₱ (1,505,676)	₱ 814,351
Actuarial (gain) loss – defined benefit obligation	2,604,909	(1,298,826)
Remeasurement loss – plan assets	656,310	63,796
Actuarial (gain) loss on retirement plan	₱ 1,755,543	₱ (420,679)

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.

	2023	2022
Cash and cash equivalents	11.76%	16.39%
Debt instruments - government bonds	67.94%	68.65%
Debt instruments - other bonds	4.29%	8.39%
Loan receivables	14.90%	0.00%
Other	1.11%	6.57%
	100.00%	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:

	2023	2022
Discount rate	6.11%	7.26%
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					
2023			2022		
	+100	-100	+100	-100	
Discount rates	₱ 1,146,745	₱ (988,506)	₱ 631,281	₱ (540,364)	
Future salary increases	1,148,031	(1,007,110)	639,408	(556,022)	

The average duration of the defined benefit obligation at the end of each reporting period is 9.5 years and 10.1 years in 2023 and 2022, respectively.

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

	2023	2022
Less than 1 year	₱ 805,206	₱ 392,387
More than 1 year to 5 years	3,789,463	1,971,849
More than 5 years to 10 years	8,567,797	5,554,950

20. Leases

Operating Lease Agreement

The Company has twenty-four (24) and fifteen (15) outstanding lease contracts as of December 31, 2023 and 2022, 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 future minimum lease payments is as follows:

	2023	2022
Not later than one year	₱ 3,159,601	₱ 1,405,535
Later than one year and not later than five years	4,427,463	1,970,437
	₱ 7,587,064	₱ 3,375,971

The distribution of rental expenses is as follows:

		2023		2022
Selling and distribution expenses (Note 17)	₱	2,894,960	₱	2,354,965
General and administrative expenses (Note 17)		2,699,405		696,285
	₱	5,594,365	₱	3,051,250

21. 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 2023 and 2022, 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 ₱5,000,000 and with total assets not exceeding ₱100,000,000, 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

Regular Corporate Income Tax (RCIT)		2023		2022
Net sales	₱	173,956,324	₱	130,901,656
Less: Cost of sales		(91,090,319)		(69,273,035)
Gross income from operations		82,866,005		61,628,621
Add: Other income		104,406		40,396
Total gross income		82,970,411		61,669,017
Less: Itemized deduction		(54,931,038)		(43,513,936)
Taxable income	₱	28,039,373	₱	18,155,081
RCIT - at 25%	₱	7,009,843	₱	4,538,771
MCIT - at 1.5% and 1%, respectively		1,244,556		616,690
Total income tax due	₱	7,009,843	₱	4,538,771
Income taxes paid and tax credits		(5,173,133)		(3,391,125)
Income tax payable	₱	1,836,710	₱	1,147,646

d. Reconciliation

Reconciliation between accounting income and taxable income is presented below:

	2023	2022
Accounting income	₱ 28,048,721	₱ 18,711,722
Permanent differences:		
Interest income subject to final tax	(1,413,480)	(615,100)
Dividend income	(67,496)	(337,478)
Fines and penalties	37,125	460,780
Temporary differences:		
Provision for inventory losses	109,361	255,519
Reversal of provision for doubtful account	(185,088)	(45,011)
Contributions to retirement fund	(425,136)	(221,691)
Retirement expense	158,829	367,019
Actuarial (gain) loss on retirement plan	1,755,543	(420,679)
Remeasurement loss on AVL valuation	20,994	-
Taxable income	₱ 28,039,373	₱ 18,155,081

e. The provision for income tax consists of:

	2023	2022
Income tax - current	₱ 7,009,843	₱ 4,538,771
Final tax	282,696	123,020
	₱ 7,292,539	₱ 4,661,791

22. 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.

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 amounted to ₱6,793,023 and ₱4,839,238 as of December 31, 2023 and 2022, respectively. The total remuneration includes both long-term and short-term benefits.

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 10). 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, 2023 and 2022 are as follows:

December 31, 2023				
Category		Amount / Volume	Outstanding Balance	Nature, Terms and Conditions
Stockholder				
Trade receivables			P -	Pertains to the sale of medicines and expenses incurred in community visits.
Billings	P	76,047,417		
Collections		76,047,417		
Accounts payable			-	Pertains to share in expenses and rental payments.
Charges		4,850,567		
Payments		4,850,567		
Affiliates				
Cash in bank			P 23,214,786	This pertains to checking and savings accounts with an annual interest rate ranging from 0.5% to 4.0%.
Deposits	P	179,431,350		
Withdrawals		196,038,951		
Interest income		884,177		This pertains to interest earned from the savings account, current account, and time deposits.
Trade receivables			21,522	
Billings		78,475,220		
Collections		78,453,698		Pertains to the sale of medicines and supplies and expenses incurred in community visits.
Accounts payable			(10,936)	
Charges		1,379,179		
Payments		1,390,114		Pertains to lease of office computers, vehicle, service charges and share in expenses.

December 31, 2022				
Category	Amount /		Outstanding	Nature, Terms and Conditions
<i>Stockholder</i>				
Trade receivables			₱ -	Pertains to the sale of medicines and expenses incurred in community visits.
Billings	₱	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		
<i>Affiliates</i>				
Cash in bank			₱ 38,938,209	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		Pertains to the sale of medicines and supplies and expenses incurred in community visits.
Accounts payable				
Charges		3,957,877	13,926	
Payments		3,943,951		Pertains to lease of office computers, vehicle, service charges and share in expenses.

23. Other Matter

COVID-19 Impacts

Since December 31, 2019 to December 31, 2023, 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.

Proclamation No. 297, signed on July 21, 2023, stated that all prior orders, memoranda, and issuances that are effective only during the State of Public Health Emergency shall be deemed withdrawn, revoked, or canceled and shall no longer be in effect.

The Company's management has assessed and addressed the impacts of COVID-19. As of December 31, 2023 and 2022, all COVID-19 determinable impacts on the Company's 2023 financial statements have been either adjusted or disclosed.

24. 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 April 4, 2024.

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

Sales/Receipts:

VATable sales/receipts	₱	166,547,950
Exempt sales/receipts		7,408,374
	₱	173,956,324

Purchases:

Domestic Purchases of Ordinary Goods	₱	94,371,384
Domestic Purchases of Services		12,711,943
	₱	107,083,327

Details of the Company's VAT are as follows:

Output Tax	₱	19,985,754
Input Tax		
Domestic Purchases of Ordinary Goods	₱	11,323,972
Domestic Purchases of Services		1,525,433
Less: Input tax allocable to exempt sales	(118,363)	12,731,042
VAT Payable		7,254,712
Less: Tax Payments		(4,879,392)
VAT still due	₱	2,375,320

Other Taxes and Licenses

The other taxes and licenses paid by the Company during the year are as follows:

Business permit fees and other licenses	₱	997,932
Input tax allocable to exempt sales		118,363
FDA and health-related fees		28,660
Community tax certificates		18,687
Documentary stamp tax		6,500
Annual registration fee		3,365
Others		38,820
	₱	1,212,327

Withholding Taxes

The taxes withheld paid and accrued which are reported as part of others under 'trade and other payable' as of December 31, 2023 are as follows:

		Paid		Payable
Expanded withholding tax	₱	1,536,162	₱	108,214
Withholding tax on compensation and benefits		360,491		96,716
Final withholding tax		-		168,481
	₱	1,896,652	₱	373,411

Tax Assessments and Cases

On October 5, 2023, The Company received a Letter of Authority (SN: eLA202300007190) dated October 5, 2023, for the investigation of all internal revenue tax liabilities except VAT for the period January 1, 2022 to December 31, 2022. As of December 31, 2023, the tax audit is still in progress.

On July 5, 2023, The Company received a Letter of Authority (SN: eLA202000042121 / AUDM 19-00.06-2023-033954) dated July 4, 2023, for the investigation of VAT liabilities for the period January 1, 2022 to December 31, 2022. As of December 31, 2023, the tax audit is still in progress.