

CARD MRI Insurance Agency, Inc.

Financial Statements
December 31, 2017 and 2016

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

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Form Type

A	A	F	S
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Department requiring the report

S	E	C	
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Secondary License Type, If Applicable

N	/	A	
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COMPANY INFORMATION

Company's Email Address

camia@cardbankph.com

Company's Telephone Number

049-503-2865

Mobile Number

0918-967-1840

No. of Stockholders

31

Annual Meeting (Month / Day)

5/10

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Vener S. Abellera

Email Address

vener.abellera@gmail.com

Telephone Number/s

N/A

Mobile Number

0918-967-1840

CONTACT PERSON'S ADDRESS

120 M. Paulino Cor. P. Burgos St. Brgy VII-D San Pablo City, Laguna

NOTE 1 In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

CARD MRI INSURANCE AGENCY, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 13 and 16)	P23,811,645	P10,803,346
Current portion of loans and receivable - net (Notes 7, 13 and 16)	8,676,571	27,761,474
Other current assets (Note 10)	5,955,914	2,161,831
Total Current Assets	38,444,130	40,726,651
Noncurrent Assets		
Available-for-sale financial assets (Notes 7, 13 and 16)	38,067,928	24,597,868
Noncurrent portion of loans and receivable (Notes 7, 13 and 16)	3,900,000	3,000,000
Property and equipment - net (Note 8)	198,923	455,858
Investment properties (Notes 9 and 16)	11,718,396	11,880,046
Deferred tax assets - net (Note 15)	367,169	194,142
Pension asset - net (Note 14)	3,078,896	2,019,927
Total Noncurrent Assets	57,331,312	42,147,841
	P95,775,442	P82,874,492
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 11, 13 and 16)	P32,682,928	P35,875,292
Equity (Notes 12 and 16)		
Capital stock	35,899,500	22,232,500
Retained earnings	26,594,140	24,214,048
Remeasurement gain on defined benefit plan (Note 14)	598,874	552,652
	63,092,514	46,999,200
	P95,775,442	P82,874,492

See accompanying Notes to Financial Statements.

CARD MRI INSURANCE AGENCY, INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2017	2016
REVENUE		
Commission income (Note 18)	₱92,217,457	₱75,211,017
Interest income (Notes 6 and 7)	535,432	622,602
Foreign exchange gain	95,060	125,125
Other income	457,203	21,439
	93,305,152	75,980,183
EXPENSES		
Underwriting expenses	15,955,283	21,945,090
Training and development	8,678,254	7,999,208
Transportation and travel	7,776,604	5,837,053
Salaries and allowances	6,041,607	4,479,574
Provision for probable losses (Notes 7 and 11)	4,592,019	1,046,337
Program monitoring and evaluation	3,447,782	2,052,869
Donations	2,000,000	—
Supplies	1,222,952	1,401,099
Information technology expense	1,216,368	1,376,211
Security and janitorial	1,034,262	1,282,633
Professional fees	957,563	828,346
Depreciation (Notes 8 and 9)	814,649	337,346
Rent (Note 17)	488,684	374,563
Insurance	403,490	824,920
Repairs and maintenance	393,243	313,310
Communication and postage	327,028	165,159
Representation and entertainment	270,024	158,867
Advertising and promotion	199,277	40,033
Pension expense (Note 14)	142,064	405,508
Taxes and licenses	132,157	533,117
Light and water	73,014	167,355
Other expenses	2,132,894	75,677
	58,299,218	51,644,275
INCOME BEFORE INCOME TAX	35,005,934	24,335,908
PROVISION FOR INCOME TAX (Note 15)	12,425,842	7,342,058
NET INCOME	₱22,580,092	₱16,993,850

See accompanying Notes to Financial Statements.

CARD MRI INSURANCE AGENCY, INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2017	2016
NET INCOME	₱22,580,092	₱16,993,850
OTHER COMPREHENSIVE INCOME		
<i>Items that will not to be reclassified to profit or loss in subsequent periods:</i>		
Remeasurement gain on defined benefit plan (Note 14)	66,031	1,692,179
Tax effect	(19,809)	(507,654)
	46,222	1,184,525
TOTAL COMPREHENSIVE INCOME	₱22,626,314	₱18,178,375

See accompanying Notes to Financial Statements.

CARD MRI INSURANCE AGENCY, INC.
STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Notes 12 and 16)	Unappropriated Retained Earnings (Notes 12 and 16)	Remeasurement Loss on Defined Benefit Plan (Note 14)	Total
At January 1, 2017	P22,232,500	P24,214,048	P552,652	P46,999,200
Issuance of shares:				
Additional infusion during the year	13,667,000	—	—	13,667,000
Dividends	—	(20,200,000)	—	(20,200,000)
Total comprehensive income				
Net income	—	22,580,092	—	22,580,092
Other comprehensive income	—	—	46,222	46,222
At December 31, 2017	P35,899,500	P26,594,140	P598,874	P63,092,514
At January 1, 2016	P17,656,000	P12,581,626	(P631,873)	P29,605,753
Issuance of shares:				
Additional infusion during the year	4,576,500	—	—	4,576,500
Transaction costs for equity issue	—	(46,848)	—	(46,848)
Dividends	—	(5,314,580)	—	(5,314,580)
Total comprehensive income				
Net income	—	16,993,850	—	16,993,850
Other comprehensive income	—	—	1,184,525	1,184,525
At December 31, 2016	P22,232,500	P24,214,048	P552,652	P46,999,200

See accompanying Notes to Financial Statements.

CARD MRI INSURANCE AGENCY, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	P35,005,934	P24,335,908
Adjustments for:		
Interest income (Notes 6 and 7)	(535,432)	(622,602)
Net change in pension (Note 14)	142,064	405,508
Depreciation (Notes 8 and 9)	814,649	337,346
Provision for probable losses (Note 11)	4,592,019	1,046,337
Foreign exchange gain (Notes 7 and 11)	(95,060)	(125,125)
Operating income before working capital changes	39,924,174	25,377,372
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Loans and receivables	14,029,139	77,480,630
Other current assets	(3,794,083)	584,952
Increase (decrease) in trade and other payables	(6,000,735)	(106,176,306)
Net cash flows generated from (used in) operations	44,158,495	(2,733,352)
Contributions made to the retirement fund (Note 14)	(1,135,002)	(991,115)
Income tax paid (Note 15)	(9,810,307)	(7,537,199)
Net cash flows provided by (used in) operating activities	33,213,186	(11,261,666)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,094,508	597,266
Acquisitions of:		
Investment property (Note 9)	(323,300)	(2,909,700)
Short term investments (Note 7)	(95,331)	–
Available-for-sale financial assets (Note 7)	(13,375,000)	(11,250,088)
Property and equipment (Note 8)	(72,764)	(150,143)
Availment of long-term investment (Note 7)	(900,000)	–
Net cash flows used in investing activities	(13,671,887)	(13,712,665)
CASH FLOWS FROM FINANCING ACTIVITIES		
Additional capital infusion (Note 12)	13,667,000	4,576,500
Dividends paid (Note 12)	(20,200,000)	(5,314,580)
Transaction costs for equity issue	–	(46,848)
Net cash flows used in financing activities	(6,533,000)	(784,928)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,008,299	(25,759,259)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	10,803,346	36,562,605
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	P23,811,645	P10,803,346

See accompanying Notes to Financial Statements.

CARD MRI INSURANCE AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

CARD MRI Insurance Agency, Inc. (the Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on August 2, 2007 primarily to engage in the business of selling life and non-life insurance and other related services. 36.63% of the Company's common stock is owned by CARD, Inc., a social development organization incorporated in the Philippines.

The registered office address of the Company is 120 M. Paulino Cor. P. Burgos St. Brgy VII-D San Pablo City, Laguna.

The accompanying financial statements were approved and authorized for issue by the Board of Directors (BOD) on February 28, 2018.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The accompanying financial statements of the Company have been prepared on a historical cost basis. The financial statements are presented in Philippine Peso (₱), the Company's functional and presentation currency. All amounts are rounded off to the nearest peso, unless otherwise indicated.

Statement of Compliance

The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

The Company qualifies as a Small and Medium-sized Entity (SME) as set forth in the SEC En Banc Resolution dated August 13, 2009 and therefore is required to use the Philippine Financial Reporting Standards (PFRS) for SMEs. However, the Company is a holder of secondary license issued by Insurance Commission (IC) that made the Company qualify as a large and/or publicly-accountable entity. Large and/or publicly-accountable entities shall use as their financial reporting framework the PFRS as adopted by the SEC.

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations which became effective on or after January 1, 2017. The adoption of these new accounting standards and amendments did not have a material impact on the Company's financial statements.

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

Future Changes in Accounting Policies

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements to have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

The Company is assessing the potential effect of PFRS 15 on its financial statements.

- PFRS 9, *Financial Instruments*

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

The adoption of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Company's financial liabilities. The adoption will also have an effect on the Company's application of hedge accounting and on the amount of its credit losses. The Company is currently assessing the impact of adopting this standard.

The Company is assessing the potential effect of the amendments on its financial statements.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

The Company is assessing the potential effect of the amendments on its financial statements.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

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

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Company is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

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

4. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid instruments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Financial Instruments

Date of recognition

Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial recognition of financial instruments

Financial instruments are initially recognized at fair value of the consideration given (in case of an asset) or received (in case of a liability). The Company classifies its financial assets in the following categories: loans and receivables and available-for-sale (AFS) investment. The Company classifies its financial liabilities into other financial liabilities. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every end of the reporting period.

As of December 31, 2017 and 2016, the Company's financial instruments are of the nature of AFS financial assets, loans and receivables.

Fair Value Measurement

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

- In the principal market for the asset or liability, or
 - In the absence of a principal market, in the most advantageous market for the asset or liability.
- The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

Day 1 profit

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where an unobservable data is used, the difference between the transaction price and model value is only recognized in statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' profit amount.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as AFS or FVPL. This accounting policy relates to the "Cash", and "Loans and receivables" account.

Loans and receivables include short-term and long-term investments.

Short-term investments are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of more than three months but less than one year from dates of placement. These earn interests at the respective short-term investment rates.

Long-term investments are investments that are convertible to known amounts of cash with original maturities of more than one year from dates of placement. These earn interest at the respective long-term investment rates.

AFS investments

AFS investments are those which are designated as such or do not qualify to be classified as designated at FVPL, HTM or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS investments are subsequently measured at cost. Dividends earned on holding AFS investments are recognized in statement of comprehensive income when the right to receive the payment has been established. The unrealized gains and losses arising from the fair valuation of AFS investments are reported in other comprehensive income. The losses arising from impairment of such investments are recognized in profit or loss. When the security is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is recognized as realized gains or losses in statement of profit or loss. When the Company holds more than one investment in the same security, the cost is determined using the weighted average method.

When the fair value of AFS investments cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost.

Other financial liabilities

Issued financial instruments or their components, which are not designated at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the statement of comprehensive income.

This accounting policy applies primarily to the Company's "Trade and other payables" and other obligations that meet the above definition (other than liabilities covered by other accounting standards such as income tax payable and net pension liability).

Impairment of Financial Assets

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

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

Loans and Receivables

For loans and receivables carried at amortized cost, the Company first assesses whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the statement of comprehensive income. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed.

Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. Time value is generally not considered when the effect of discounting is not material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as type of borrower, collateral type, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any difference between loss estimates and actual loss experience.

AFS investments carried at cost

If there is an objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Current and Noncurrent 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:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or
- Cash or cash equivalents unless restricted from being exchanged or used to settle liability for at twelve months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as noncurrent.

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

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Derecognition of Financial Assets and Liabilities

Financial Asset

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

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

Where the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

Financial Liability

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

Investment Property

Investment properties are properties (land and/or buildings) held to earn rentals or for capital appreciation (or both). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at cost with disclosures of the investment property fair value at year-end.

It is derecognized when either it has been disposed of, or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the disposal is recognized in profit or loss in the year of retirement or disposal.

Depreciation on investment property is computed using the straight-line method over the estimated useful life (EUL) of ten (10) years.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on computer equipment, office furniture and fixture and transportation equipment is computed using the straight-line method over the estimated useful life (EUL).

	Years
Transportation equipment	5
Computer and office equipment	3
Office furniture and fixtures	3

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made with respect to these assets.

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

When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts. Any gain or loss arising on derecognition of the assets, which is calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the statement of comprehensive income in the year the asset is derecognized.

Impairment of Nonfinancial Assets

The Company assesses at each end of the reporting period whether there is an indication that property and equipment may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at each end of the reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Creditable Withholding Taxes (CWTs)

Creditable withholding taxes pertain to the tax paid by the Company that is withheld by its counterparty for the payment of its expenses and other purchases. These CWTs are initially recorded at cost as an asset under "Other assets" account.

At each end of the tax-reporting deadline, these CWTs may either be offset against future income tax payable or be claimed as a refund from the taxation authorities at the option of the Company. At each end of the reporting period, an assessment for impairment is performed as to the recoverability of these CWTs.

Value-Added Tax (VAT)

Revenue, expenses and assets are recognized net of the amount of VAT except:

- where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and,
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from the tax authority is included as part of "Other current assets" in the statement of financial position.

Net Pension Liability/Asset

The net pension 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 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:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

Net interest on the net defined pension liability or asset is the change during the period in the net defined pension 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 pension liability or asset. Net interest on the net defined pension liability or asset is recognized as expense or income in profit or loss.

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 pension liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

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

Equity

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. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to additional paid-in capital account.

Share issuance costs incurred as necessary part of completing an equity transaction are accounted for as part of that transaction and are treated as a deduction from additional paid-in capital from previous share issuance. If the additional paid-in capital account is not sufficient, the excess is deducted from retained earnings.

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Commission income

The Company recognizes commission income based on premium billings upon rendition of services to the insured and upon issuance of policies by the insurer. Premiums due from insured are collectible by the Company for the account of the insurer and are remittable to them within the credit term.

Interest income

Interest income is recognized in the statement of comprehensive income as it accrues, taking into account the effective yield of the asset.

Other income

Income from other sources is recognized when earned.

General and Administrative Expenses

Expense is recognized when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen and expense can be measured reliably. Expenses are recognized in profit or loss as they are incurred.

Leases

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

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

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

Company as a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Fixed lease payments are recognized as an expense in profit or loss on a straight-line basis.

Income Tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences, to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

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

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period. Movements in the deferred tax assets and liabilities arising from changes in tax rates are charged against or credited to income for the period.

Current tax and deferred tax relating to items recognized as other comprehensive income is also recognized in the company statement of other comprehensive income.

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

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingencies

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 but are disclosed in the financial statements when an inflow of economic benefits is probable.

Events after the End of the Reporting Period

Any post year-end event that provides additional information about the Company's position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed in the notes to the financial statements when material.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires the Company to make judgments and estimates that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any change in estimates is reflected in the financial statements as they become determinable. Actual results could differ from such estimates.

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

Classification of financial assets

The Company classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's-length basis.

Operating lease commitments - Company as lessee

The Company has entered into a contract of lease for the office space it occupies. The Company has determined that all significant risks and rewards of ownership on these properties will be retained by the lessor.

Distinction between investment properties and owner-occupied properties

The Company determines whether a property qualifies as investment property. In making its judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the daily operations of the Company.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately at the reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Company considers each property separately in making its judgment.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at each reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimation of allowance for impairment losses of receivables

The Company maintains allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, age of balances, financial status of counterparties, and legal opinion on recoverability in case of legal disputes. The Company reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a regular basis.

The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease the related asset accounts.

The carrying value of receivables, net of impairment losses, amounted to ₱3,425,828 and ₱22,606,062 and as of December 31, 2017 and 2016, respectively (see Note 7). The related allowance for impairment losses amounted to ₱1,456,768 as of December 31, 2017 and 2016 (see Note 7).

Impairment of nonfinancial assets

The Company assesses the impairment of its nonfinancial assets (i.e., property and equipment) whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the assets; and
- significant negative industry or economic trends.

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amounts are estimated for individual asset or, if it is not possible, for the cash-generating unit to which the asset belongs.

As of December 31, 2017 and 2016, the Company has not recognized any impairment loss on its nonfinancial assets.

Recognition of deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which these can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized. These assets are periodically reviewed for realization. Periodic reviews cover the nature and amount of deferred income and expense items, expected timing when assets will be used or liabilities will be required to be reported, reliability of historical profitability of businesses expected to provide future earnings and tax planning strategies which can be utilized to increase the likelihood that tax assets will be realized.

As of December 31, 2017 and 2016, the Company recognized deferred tax assets amounting to ₱1,396,747 and ₱877,512, respectively (see Note 15).

Retirement and other employee benefits

The cost of defined benefit pension plans and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The Company has a net benefit asset of ₱3,078,896 and ₱2,019,927 as of December 31, 2017 and 2016, respectively (see Note 14).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific.

Provisions and contingencies

The estimate of the probable costs for the resolution of claims has been developed in consultation with counsel handling the Company's defense and is based on an analysis of potential results. Provisions for probable losses arising from contingencies was recognized in the Company's financial statements amounting to ₱4,592,019 and ₱1,046,337, in 2017 and 2016, respectively.

6. Cash and Cash Equivalents

This account consists of:

	2017	2016
Cash on hand	₱132,975	₱37,620
Cash in banks	21,544,810	8,686,676
Cash equivalents	2,133,860	2,079,050
	₱23,811,645	₱10,803,346

Cash in banks earn interest that ranges from 0.25% to 1.50% in 2017 and 2016. Interest income earned from cash in banks amounted to ₱146,315 and ₱357,616 in 2017 and 2016, respectively.

7. Financial Assets

Loans and Receivables

As of December 31, 2017 and 2016, the Company's loans and receivables are as follows:

	2017	2016
Receivables - net	₱4,882,596	₱24,062,830
Short-term investments	5,250,743	5,155,412
Long-term investments	3,900,000	3,000,000
	14,033,339	32,218,242
Less noncurrent portion of loans and receivables	(3,900,000)	(3,000,000)
Current portion of loans and receivables	10,133,339	29,218,242
Less allowance for impairment losses	(1,456,768)	(1,456,768)
	₱8,676,571	₱27,761,474

Receivables -net

This account consists of:

	2017	2016
Accounts receivable:		
Related parties (Note 13)	₱2,052,495	₱6,231,259
Others	1,251,290	2,569,879
Commissions receivable:		
Related parties (Note 13)	1,569,562	12,704,453
Others	—	1,988,914
Interest receivable	9,249	568,325
	4,882,596	24,062,830
Allowance for impairment losses	(1,456,768)	(1,456,768)
	₱3,425,828	₱22,606,062

Accounts receivable are non-interest-bearing and are generally on 1-30 day terms. These mostly consist of receivables from CARD Mutual Benefit Association, Inc. (CARD MBA) for unremitted Burial Assistance Plan (BAP) premiums and receivables from CARD Pioneer Microinsurance, Inc. (CPMI) for commissions and expenses incurred during marketing and selling of CPMI products.

Commissions receivable are non-interest-bearing and are generally on 1-30 day terms. These consist mostly of receivables from CPMI for commissions on insurance products sold (Sagip Plan, Kabuklod plan, CARD Care and Binhi).

Interest receivable pertains mainly to interest accrued arising from cash and cash equivalents and short-term investment.

Allowance for impairment loss

The rollforward analyses of allowance for impairment losses on accounts receivable follows:

	2017	2016
At January 1	P1,456,768	P410,431
Provisions	—	1,046,337
At December 31	P1,456,768	P1,456,768

In 2017, the Company did not provide an additional allowance for doubtful accounts because based on management assessment, the net outstanding receivables are still recoverable.

Short-term investment

Short-term investments are short-term time deposit placements in CARD Bank, Inc., CARD SME Bank, Inc. and Rizal Bank, Inc. with original maturities of three (3) months to twelve (12) months and earned interest at 3% to 4.25% and 2% to 3.5% in 2017 and 2016, respectively. The rollforward analysis of short-term investments follows:

	2017	2016
At January 1	P5,155,412	P5,027,811
Additions	—	—
Interest income received	95,331	127,601
At December 31	P5,250,743	P5,155,412

Interest income earned from short-term investments amounted to P209,117 and P84,986 in 2017 and in 2016, respectively.

Long-term investment

Long term investment pertains to time deposit placement in CARD Bank, Inc. with a term of five (5) years, face amount of P3,900,000 and P3,000,000 and earning interest at 6.00% per annum in 2017 and 2016, respectively. If withdrawn before maturity, this shall earn interest based on the prevailing interest rate of CARD Bank, Inc. for regular deposits. Interest income earned in 2017 and in 2016 amounted to P180,000.

Available-for-sale Financial Assets

The rollforward analyses of this account follows:

	2017	2016
At January 1	P24,597,868	P13,222,655
Additions	13,375,000	11,250,088
Forex gain	95,060	125,125
At December 31	P38,067,928	P24,597,868

Available-for-sale financial assets pertain to investments in unquoted equity securities. Details of the Company's AFS investments follow:

	2017			2016		
	Amount	Shares	Percentage of ownership	Amount	Shares	Percentage of ownership
CARD Pioneer Microinsurance, Inc. (CPMI)	₱17,543,068	100,001	2.9%	₱17,543,068	100,001	2%
MEADA Rabrong, Plc.	1,462,360	2,750	13%	1,367,300	2,750	13%
RIMANSI Mutual Solutions Insurance Agency, Inc. (RMSI)	1,000,000	20,000	12.5%	1,000,000	20,000	14%
CARD MRI Holdings, Inc. (CMHI)	1,562,500	62,500	5%	1,562,500	62,500	5%
CARD MRI Property Holdings, Inc. (CMPHI)	12,500,000	125,000	10%	3,125,000	31,250	10%
CARD Bank, Inc. (CBI)	4,000,000	20,000	0.20%	—	—	—
	₱38,067,928			₱24,597,868		

On October 28, 2016, the Company acquired additional 1,961 common shares from CPMI amounting to ₱6,562,888. New shares were also acquired during the years from CMHI and CMPHI amounting to ₱1,562,500 and ₱3,125,000, respectively.

On October 23, 2017, the Company acquired additional 93,750 common shares from CMPHI amounting to ₱9,375,000. On December 12, 2017, the Company acquired 20,000 preferred shares from CBI amounting to ₱4,000,000.

Foreign exchange gain amounting to ₱95,060 and ₱125,125 was recognized in 2017 and 2016, respectively from investment in MEADA.

As of December 31, 2017 and 2016, no provision for impairment loss was recorded by the Company for its AFS financial assets.

The Company measures its AFS financial assets at cost since its fair value cannot be reliably measured due to unavailability of any valuation inputs.

8. Property and Equipment - net

The rollforward analyses of this account follows:

	2017			Total
	Computer/ Office equipment	Office furniture and fixture	Transportation equipment	
Cost				
At January 1	₱1,447,214	₱205,821	₱856,000	₱2,509,035
Additions	47,764	25,000	—	72,764
At December 31	1,494,978	230,821	856,000	2,581,799
Accumulated Depreciation				
At January 1	1,173,024	152,553	727,600	2,053,177
Depreciation	170,570	30,730	128,399	329,699
At December 31	1,343,594	183,283	855,999	2,382,876
Net Book Value	₱151,384	₱47,533	₱1	₱198,923

	2016			
	Computer/ Office equipment	Office furniture and fixture	Transportation equipment	Total
Cost				
At January 1	P1,248,573	P254,319	P856,000	P2,358,892
Reclassifications	82,498	(82,498)	—	—
Additions	116,143	34,000	—	150,143
At December 31	1,447,214	205,821	856,000	2,509,035
Accumulated Depreciation				
Balance at January 1	1,020,512	138,919	556,400	1,715,831
Reclassifications	32,083	(32,083)	—	—
Depreciation	120,429	45,717	171,200	337,346
At December 31	1,173,024	152,553	727,600	2,053,177
Net Book Value	P274,190	P53,268	P128,400	P455,858

The cost of fully depreciated property and equipment still in active use amounted to P1,831,860 and P1,013,352 as of December 31, 2017 and 2016, respectively.

Depreciation expense charged against operations amounted to P329,699 and P337,346 in 2017 and 2016, respectively.

9. Investment Properties

Company's investment properties pertain to land held for capital appreciation and building intended for leasing to third parties.

As of December 31, 2016, the Company has an ongoing construction of building in the land located at Lucena City amounting to P2,909,700. The building was fully constructed in 2017 with a total construction cost of P3,233,000 and a fair market value of P4,680,000 based on the current market data of commercial establishments in Lucena City as of December 31, 2017.

	2017		
	Land	Building	Total
Cost			
At January 1	P8,970,346	P2,909,700	P11,880,046
Additions	—	323,300	323,300
At December 31	8,970,346	3,233,000	12,203,346
Accumulated Depreciation			
At January 1	—	—	—
Depreciation	—	484,950	484,950
At December 31	—	484,950	484,950
Net Book Value	P8,970,346	P2,748,050	P11,718,396

	2016		
	Land	Building	Total
Cost			
At January 1	P8,970,346	P—	P8,970,346
Additions	—	2,909,700	2,909,700
At December 31	8,970,346	2,909,700	11,880,046
Accumulated Depreciation			
At January 1	—	—	—
Depreciation	—	—	—
At December 31	—	—	—
Net Book Value	P8,970,346	P2,909,700	P11,880,046

The land properties have a total fair value of ₱15.40 million and ₱14.05 million as of December 31, 2017 and December 31, 2016 respectively.

The fair value of the land properties is based on valuation performed by an independent valuer of CARD MRI Organization and Administration Unit, not SEC accredited but with a recognized and relevant professional qualification and with recent experience in the location and category of the investment properties being valued. The appraised value of investment properties is classified under Level 3 of fair value hierarchy. This is determined using sales comparison approach. Under this approach, the value of the land is based on sales and listings of comparable property registered within the vicinity. The properties used as basis of comparison are situated within the immediate vicinity of the subject properties.

As of December 31, 2017 and 2016, no investment property has been pledged as collateral or security for any of the Company's liabilities.

10. Other Current Assets

This account consists of:

	2017	2016
CWTs	₱6,338,987	₱2,703,401
Prepaid rent	114,611	114,611
Input VAT	101,488	71,440
Supplies inventory	50,107	74,808
Security Deposit	153,150	—
	6,758,343	2,964,260
Less allowance for impairment losses	(802,429)	(802,429)
	₱5,955,914	₱2,161,831

CWTs pertain to unapplied taxes withheld on income payments and are creditable against income tax due. The Company determined that the taxes withheld could be recovered in future periods.

Allowance for impairment loss provided pertains to creditable withholding taxes of the Company that have no supporting certificates as of reporting date.

11. Trade and Other Payables

This account consists of:

	2017	2016
Accrued expenses and provisions	₱16,190,872	₱3,588,065
Capiling fund	7,056,450	7,074,070
Trade payables to related parties (Note 13)	2,794,177	22,833,908
Income tax payable	2,808,371	—
Due to government agencies	1,281,558	694,256
Scholarship fund	1,061,882	1,094,882
Others	1,489,618	590,111
	₱32,682,928	₱35,875,292

Accrued expenses and provisions consist of cost for certified CARD claims adjusters training (C3A), incentives of MICs (microinsurance coordinators), selling costs, unpaid audit fee and unpaid utility bills and provisions for probable losses on claims by a third party. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims and assessments.

Capiling fund pertains to fund accumulated for long-term Capiling Awardee incentive program intended for the Company's microinsurance (MI) coordinators. Capiling fund is used as source of funds for MI coordinators who have already been a coordinator for at least five years and have reached the sales target for the year. These MI coordinators are entitled to this incentive program. On November 30, 2017, the original purpose of Capiling Fund was changed and approved by the Board as travel incentive package for topsellers of microinsurance products such as Sagip Plan, Kabuklod Plan and CARD Care.

Trade payables are non-interest-bearing and are normally settled on 30-day terms. These consist mostly of premiums received from assured for payout to principal insurers of Kabuklod Plan, Sagip Plan and CARD Care.

Due to government agencies represents output VAT, withholding tax and payable for HDMF loan and contribution.

Scholarship fund amounted to ₱1,061,882 and ₱1,094,882 as of December 31, 2017 and 2016, respectively. In 2009, the Company and Pioneer Intercontinental Insurance Corporation (PIIC) agreed to sponsor a scholarship grant to all qualified children of CARD MBA members, contributing ₱5 each for every PAID Plan purchased through CARD and/or the Company's network. Scholarship fund is given to scholars quarterly at ₱3,000 each. The scholarship fund will still be paid until fully utilized despite the termination of the PAID Plan.

Other payables consist of payable to board members for incidental expenses, other payable to staff pertaining to tax refunds and finance lease payable.

12. Equity

Capital Stock

The rollforward analysis of this account follows:

	2017		2016	
	Shares	Amount	Shares	Amount
Common Stock - ₱500 par value				
Authorized	100,000	₱50,000,000	100,000	₱50,000,000
Issued and outstanding:				
At beginning of year	44,465	₱22,232,500	35,312	₱17,656,000
Capital infusion	27,335	13,667,000	9,153	4,576,500
At end of the year	71,800	₱35,899,500	44,465	₱22,232,500

In 2017, the Company issued additional 27,335 common shares at ₱500 par value amounting to ₱13,667,000. As of December 31, 2017, the Company has 71,800 issued and outstanding shares amounting to ₱35,899,500.

In 2016, the Company issued additional 9,153 common shares at ₱500 par value amounting to ₱4,576,500. As of December 31, 2016, the Company has 44,465 issued and outstanding shares amounting to ₱22,232,500.

Retained Earnings

Cash dividends

The Company's BOD approved and ratified the declaration of cash dividends as follows:

	2017			2016	
Date of approval	December 10	August 31	March 31	April 9	August 31
Date of declaration	December 10	August 31	March 31	April 9	August 31
Date of payment	December 11	September 5	April 3	April 11	August 31
Number of stockholders as of					
dividend declaration	31	31	31	30	31
Dividend per share	₱100	₱62.5	₱120	₱40	₱100
Total amount	₱8,000,000	₱5,000,000	₱7,200,000	₱1,412,480	₱3,902,100
Dividends paid	₱8,000,000	₱5,000,000	₱7,200,000	₱1,412,480	₱3,902,100

13. Related Party Transactions

Parties are 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, or if the parties are subject to common control or common significant influence. A related party may be an individual or a corporate entity.

In the ordinary course of business, the Company has transactions with related parties. Significant transactions with related parties follow:

	2017				
	Amount	Outstanding	Nature	Terms	Conditions
Affiliates					
CPMI					
Due to affiliate		₱648,441			
Beginning	₱2,139,493		Unremitted premium for CPMI	On demand; non interest	Unsecured
Billings	35,699,310		products	bearing	
Payments	(37,190,362)				
Due from affiliate		315,608			
Beginning	3,624,385		Expenses during CPMI Related	On demand; non interest	Unsecured
Billings	2,519,808		Activities	bearing	
Collections	(5,828,585)				
Commissions receivable		1,060,067			
Beginning	11,963,200		Uncollected Commission,	On demand; non interest	Unsecured
Billings	92,217,457		Traditional Insurances, CCAP &	bearing	
Collection	(103,120,590)		BINHI		
CARD MBA					
Due to affiliate		1,354,342			
Beginning	6,988,355		Payment for expenses during	On demand; non interest	Unsecured
Billings	28,927,684		CaMIA related activities and BAP	bearing	
Payments	(34,561,698)		Claims		
Due from affiliate		1,453,447			
Beginning	1,099,067		Unremitted premium for BAP,	On demand; non interest	Unsecured
Billings	15,045,428		uncollected insurance premium of	bearing	
Collections	(14,691,048)		CARD MBA employees		

(Forward)

2017					
	Amount	Outstanding	Nature	Terms	Conditions
Commissions receivable		₱384,683	Uncollected commission for marketing of BOAT program	On demand; non interest bearing	
Beginning	₱384,683				
Billings	—				
Collections	—				
CARD, Inc.					
Due to affiliate		2,174	Payment for service rendered of Utility	On demand; non interest bearing	Unsecured
Billings	15,146				
Payments	(12,972)				
Due from affiliate		—	Insurance Premium of CARD Inc. Employees	On demand; non interest bearing	Unsecured
Billings	18,372,627				
Collection	(18,372,627)				
CARD Bank Inc.					
Due to affiliate		—			
Billings	—				
Payments	—				
Due from Affiliates		13,690	Uncollected insurance premium of employees	On demand; non interest bearing	Unsecured
Beginning	1,237,807				
Billings	11,925,732				
Collections	(13,149,849)				
Cash		8,215,077		On demand; interest at 0.25% to 1.50% for regular savings deposit and 3.50% for cash equivalents	Unsecured
Deposit	142,654,902		Various		
Withdrawal	(134,439,825)				
Interest Income	986,054		Interest earned on time deposits and savings account	On demand; interest at 1.50% to 6.00%	Unsecured
Short term investment	647,712		Placement of funds on time deposits	On demand; interest at 3% to 4.25%	Unsecured
Long-term investment	3,900,000		Placement of funds on long term deposits	On demand; interest at 6.00%	Unsecured
CARD SME					
Due to Affiliates		—	Overpayment of GCLI premium	On demand; non interest bearing	Unsecured
Billings	1,017				
Payments	(1,017)				
MIMAP					
Due from Affiliates		11,836	Uncollected insurance premium of employees	On demand; non interest bearing	Unsecured
Billings	20,336				
Collections	8,500				
Cash		4,599,295	Various	On demand; interest at 1.50% to 3.50%	Unsecured
Deposit	31,055,800				
Withdrawal	(26,456,505)				
Interest income	101,115		Interest earned on time deposits and savings account	On demand; interest at 1.50% to 3.75%	Unsecured
Short term investment		3,318,989	Placement of funds on time deposits	On demand; interest at 3.75%	Unsecured
Due from affiliate		5,124	Uncollected insurance premium of employees	On demand; non interest bearing	Unsecured
Billings	5,050,556				
Collections	(5,045,432)				
CMDI					
Due to affiliate		508	Overpayment of travel insurance premium	On demand; non interest bearing	Unsecured
Billings	860				
Payments	(352)				
Due from affiliate		22,268	Uncollected insurance premium of employees	On demand; non interest bearing	Unsecured
Billings	532,539				
Collections	(510,271)				
Due from Affiliates		₱87,503	Uncollected insurance premium of employees & GCLI	On demand; non interest bearing	Unsecured
Billings	₱241,011				
Collections	(153,509)				

(Forward)

2017					
	Amount	Outstanding	Nature	Terms	Conditions
Mga Likha ni Inay (MNLI)					
Due to Affiliates		₱2,000	Payment for MNLI products	On demand; non interest bearing	Unsecured
Billings	₱2,255				
Payments	(255)				
Due from Affiliates		1,063	Uncollected insurance premium of employees	On demand; non interest bearing	Unsecured
Billings	94,859				
Collections	(93,796)				
Rizal Bank Inc.					
Due from Affiliates		35,835	Uncollected insurance premium of employees	On demand; non interest bearing	Unsecured
Billings	1,992,552				
Collections	(1,956,717)				
Short term investment		1,284,042	Placement of funds on time deposits	On demand; interest at 3.75%	Unsecured
RISE					
Due from Affiliates		59,318	Uncollected insurance premium of employees	On demand; non interest bearing	Unsecured
Billings	69,069				
Collections	(9,751)				
CMIT					
Due from Affiliates		1,967	Uncollected insurance premium of employees	On demand; non interest bearing	Unsecured
Billings	395,633				
Collections	(393,665)				
CLFC					
Due to Affiliates		510	Payment for Mid-year documentation issuance	On demand; non interest bearing	Unsecured
Beginning	4,950				
Billings	6,608				
Payments	(11,048)				
Due from Affiliates		34,479	Uncollected insurance premium of employees	On demand; non interest bearing	Unsecured
Billings	187,042				
Collections	(152,563)				
BOTICARD					
Due to Affiliates		1,871	Payment for BOTICARD products	On demand; non interest bearing	Unsecured
Billings	2,629				
Payments	(758)				
Due from Affiliates		—	Insurance Premium of BOTICARD employees	On demand; non interest bearing	Unsecured
Billings	201,144				
Collections	(201,144)				
BDSFI					
Due from Affiliates		242	Uncollected insurance premium of employees	On demand; non interest bearing	Unsecured
Billings	126,159				
Collections	(125,917)				
RMSI					
Due to Affiliates		784,332	Unremitted premium for BAP	On demand; non interest bearing	Unsecured
Beginning	495,275				
Billings	10,857,986				
Payments	(10,568,929)				
Due from Affiliates		10,115	Uncollected insurance premium of employees	On demand; non interest bearing	Unsecured
Billings	1,489,983				
Collections	(1,479,868)				
Commission Receivable		124,812	Uncollected premium for Burial Assistance Plan (BAP)	On demand; non interest bearing	Unsecured
Billings	2,036,894				
Collections	(1,912,082)				

The above outstanding balances as of December 31, 2017 are summarized as follow:

Commission receivable (Note 7)	₱1,569,562
Due from related parties (Note 7)	2,052,495
Short term investment (Note 7)	5,250,743
Cash in bank	12,814,373
Long term investment (Note 7)	3,900,000
Due to related parties (Note 11)	(2,794,177)
Net due from related parties	₱22,792,996

	2016				
	Amount	Outstanding	Nature	Terms	Conditions
Affiliates					
CPMI					
Due from affiliate		₱3,624,385	Payment for SAGIP Plan,	On demand;	Unsecured
Billings	₱50,500,442		CARD Care & Kabuklod	noninterest-bearing	
Collections	(46,872,057)		Plan claims		
Due to affiliate		2,141,717	Unremitted premium for CPMI	On demand;	Unsecured
Billings	456,904,619		products	noninterest-bearing	
Payments	(455,872,440)				
Commissions receivable		11,730,759	Uncollected commission	On demand; non-interest	Unsecured
Billings	75,837,668		receivable	bearing; 1-30 day term	
Collection	(64,106,909)				
Premiums Payable		13,203,611	Payment for SAGIP Plan,	On demand;	Unsecured
Billings	70,647,154		CARD Care & Kabuklod	noninterest-bearing	
Collection	(57,443,543)		Plan claims		
CARD MBA					
Due from affiliate		1,099,067	Premiums uncollected	On demand;	Unsecured
Billings	441,139,877		for CAMIA products	noninterest-bearing	
Collections	(440,040,810)		from CARD MBA Inc.		
Due to affiliate		6,988,355	Claims unpaid to members who	On demand;	Unsecured
Billings	392,425,442		avail CAMIA products	noninterest-bearing	
Payments	(385,437,087)				
Rent expense	201,368	–	Rent incurred from office rental		
Commissions receivable		384,683	Uncollected commission	On demand; non-interest	Unsecured
Billings	384,683		receivable	bearing; 1-30 day term	
Collections	–				
CARD, Inc.					
Due from affiliate		–	Premiums uncollected	On demand;	Unsecured
Billings	10,205,941		for CAMIA products from	noninterest-bearing	
Collections	(10,205,941)		CARD Inc.		
Due to affiliate		–	Unpaid expenses incurred	On demand;	Unsecured
Billings	237		CARD Inc.	noninterest-bearing	
Payments	(237)				
CARD Bank Inc.					
Cash		4,097,912	Various	On demand; interest at 0.25%	Unsecured
Deposits	464,128,551			to 1.50% for regular savings	
Withdrawals	(460,030,639)			deposit and 3.50% for cash	
				equivalents	
Due from affiliate		1,237,807	Premiums uncollected	On demand;	Unsecured
Billings	10,458,672		for CAMIA products from	noninterest-bearing	
Collections	(9,220,865)		CARD Bank Inc.		
Due to affiliate		–	Unpaid expense incurred by	On demand; noninterest-	Unsecured
Billings	71,988		CARD MRI for	bearing	
Collections	(71,888)		administration expense		
Interest income	175,751	–	Interest earned on time deposits	On demand;	Unsecured
			and savings account	interest at 1.50% to 6.00%	
Short term investment	–	630,070	Placement of funds on time	On demand; interest at 3.75%	Unsecured
			deposits		
Long-term investment	–	3,000,000	Placement of funds on long	On demand; interest at 6.00%	
			term deposits		
CARD SME					
Cash		861,545	Various	On demand; interest at 1.50%	Unsecured
Deposits	29,534,828			to 3.50%	
Withdrawals	(28,673,283)				

(Forward)

2016					
	Amount	Outstanding	Nature	Terms	Conditions
Due from affiliate		P=			
Billings	P4,118,730		Premiums uncollected for CAMIA products from CARD SME.	On demand; noninterest-bearing	Unsecured
Collections	(4,118,730)				
Interest income	67,754	–	Interest earned on time deposits and savings account	On demand; interest at 1.50% to 3.75%	Unsecured
Short term investment	–	3,283,975	Placement of funds on time deposits	On demand; interest at 3.75%	Unsecured
CMDI					
Due from affiliate		P=			
Billings	P332,944		Premiums uncollected for CAMIA products from CMDI Inc.	On demand; noninterest-bearing	Unsecured
Collections	(332,944)				
Due to affiliate		–	Unpaid expense incurred by CARD MRI for administration expense	On demand; noninterest-bearing	Unsecured
Billings	2,843				
Payments	(2,843)				
CARD BDSFI					
Due from affiliate		–	Uncollected PAID Plan enrollment from BDSFI	On demand; noninterest-bearing	Unsecured
Billings	98,332				
Collections	(98,332)				
Due to affiliate		–	Unpaid expense incurred by CARD MRI for administration expense	On demand; noninterest-bearing	Unsecured
Billings	473				
Payments	(473)				
CMIT					
Due from affiliate		–	Uncollected PAID Plan enrollment from CMIT	On demand; noninterest-bearing	Unsecured
Billings	239,632				
Collections	(239,632)				
CLFC					
Due from affiliate		–	Uncollected PAID Plan enrollment from CLFC	On demand; noninterest-bearing	Unsecured
Billings	8,632				
Collections	(8,632)				
Due to affiliate		4,950	Unpaid expense incurred by CARD MRI for administration expense	On demand; noninterest-bearing	Unsecured
Billings	98,281				
Payments	(107,567)				
BotiCARD Inc.					
Due to affiliate		–	Unpaid expense incurred by CARD MRI for administration expense	On demand; noninterest-bearing	Unsecured
Billings	60,583				
Payments	(60,583)				
Rizal Rural Bank, Taytay Inc.					
Due to affiliate		–	Unpaid expense incurred by CARD MRI for administration expense	On demand; noninterest-bearing	Unsecured
Billings	1,348,902				
Payments	(1,348,902)				
Short term investment	–	1,241,367	Placement of funds on time deposits	On demand; interest at 3.75%	Unsecured
RMSI					
Due from affiliate		270,000	Uncollected premium for funeral care	On demand; noninterest-bearing	Unsecured
Billings	6,459,623				
Collection	(6,189,623)				
Due to affiliate		495,275	Unremitted premium for funeral care	On demand; noninterest-bearing	Unsecured
Billings	10,315,650				
Payments	(9,820,375)				
Commissions receivable		589,011	Uncollected commission Receivables from funeral care	On demand; noninterest-bearing	Unsecured
Billings	2,054,963				
Collections	(1,465,952)				
RISE					
Due from affiliate		–	Uncollected PAID Plan enrollment from RISE	On demand; noninterest-bearing	Unsecured
Billings	68,058				
Collections	(68,058)				

The above outstanding balances as of December 31, 2016 are summarized as follow:

Commission receivable (Note 7)	₱12,704,453
Due from related parties (Note 7)	6,231,259
Short term investment (Note 7)	5,155,412
Cash in bank	4,959,457
Long term investment (Note 7)	3,000,000
Due to related parties (Note 11)	(22,833,908)
Premiums payable	(13,203,611)
Net due to related parties	(₱3,986,938)

The Company incurred ₱1,645,200 and ₱1,451,890 as compensation of key management personnel in 2017 and 2016, respectively.

14. Retirement Plan

The Company maintains a funded and formal noncontributory retirement plan - the CARD Multi-Employer Retirement Plan - covering all regular employees. The plan has a Projected Unit Cost (PUC) format and is financed by the Company. The plan complies with the requirement of Republic Act No. 7641 and provides lump sum benefits upon retirement, death, total and permanent disability, involuntary separation (except for cause) or voluntary separation after completion of at least ten (10) years of service with the participating companies.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The Company also provides additional post employment healthcare benefits to certain senior employee.

Changes in net defined benefit liability of funded funds are as follows:

2017														
Net benefit cost in statement of income							Remeasurements in other comprehensive income							
							Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from demographic assumptions	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising experience	Effect of changes in asset ceiling		Contribution by employer	At December 31
	At January 1	Current service cost	Net interest	Benefits Paid	Subtotal	Transfer to/ (from) the Plan						Subtotal		
Present value of defined benefit obligation	₹3,735,285	₹317,509	₹218,888	(₹21,471)	₹514,926	₹834,502	₹–	(₹31,701)	(₹1,083,156)	₹146,578	₹–	(₹968,279)	₹–	₹4,116,434
Fair value of plan assets	(6,261,540)	–	(424,004)	21,471	(402,533)	(834,502)	60,569	–	–	–	–	60,569	(1,135,002)	(8,573,008)
Effect of asset ceiling	506,328	–	29,671	–	29,671	–	–	–	–	–	841,679	841,679	–	1,377,678
	(₹2,019,927)	₹317,509	(₹175,445)	₹–	₹142,064	₹–	₹60,569	(₹31,701)	(₹1,083,156)	₹146,578	₹841,679	(₹66,031)	(₹1,135,002)	(₹3,078,896)
2016														
Net benefit cost in statement of income							Remeasurements in other comprehensive income							
							Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising experience	Effect of changes in asset ceiling		Contribution by employer	At December 31
	At January 1	Current service cost	Net interest	Benefits Paid	Subtotal	Transfer of employees						Subtotal		
Present value of defined benefit obligation	₹5,147,437	₹422,660	₹259,431	₹–	₹682,091	₹205,250	₹–	₹863,513	(₹2,926,507)	(₹236,499)	₹–	(₹2,299,493)	₹–	₹3,735,285
Fair value of plan assets	(4,889,578)	–	(276,583)	–	(276,583)	(205,250)	100,986	–	–	–	–	100,986	(991,115)	(6,261,540)
Effect of asset ceiling	–	–	–	–	–	–	–	–	–	–	506,328	506,328	–	506,328
	₹257,859	₹422,660	(₹17,152)	₹–	₹405,508	₹–	₹100,986	₹863,513	(₹2,926,507)	(₹236,499)	₹506,328	(₹1,692,179)	(₹991,115)	(₹2,019,927)

The rollforward analysis of remeasurement gain on defined benefit plan follows:

	2017	2016
At January 1	P552,652	(P631,873)
Remeasurement gain on defined benefit plan	66,031	1,692,179
Tax effect	(19,809)	(507,654)
At December 31	P598,874	P552,652

The principal actuarial assumptions used in determining retirement liability for the Company's retirement plan are shown below:

	2017	2016
Discount rate	5.77%	5.86%
Salary rate increase	5.00%	7.00%
Average remaining working life	27.8	27.8

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:

	December 31, 2017	
	Increase (decrease)	Effect on defined pension plan
Discount rate	-100 basis points	(P479,826)
	+100 basis points	573,361
Salary rate	+100 basis points	528,888
	-100 basis points	(453,535)
	December 31, 2016	
	Increase (decrease)	Effect on defined pension plan
Discount rate	-100 basis points	(P503,091)
	+100 basis points	616,502
Salary rate	+100 basis points	562,827
	-100 basis points	(471,992)

The fair value of net plan assets by each class is as follows:

	2017	2016
Cash and cash equivalents	P3,532,937	P2,601,044
Debt instruments in government bonds	4,352,516	2,940,419
Debt instruments in other corporate bonds	159,458	—
Investment in mutual funds	40,293	32,560
Loans	377,212	472,746
Others	110,592	214,771
	P8,573,008	P6,261,540

The Company expects to contribute P1,379,071 to the defined pension plan in 2018.

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

	2017	2016
Less than one year	P122,373	P–
More than one year to five years	609,676	–
More than five years to ten years	1,154,940	3,123,579

The average duration of the defined benefit obligation at the end of the reporting period is 12.8 years.

15. Income Tax

The Company's provision for income tax consists of:

	2017	2016
Current	P12,511,592	P7,412,679
Final	107,086	124,520
Deferred	(192,836)	(195,141)
	P12,425,842	P7,342,058

The Company's net deferred taxes relate to the tax effects of the following:

	2017	2016
Deferred tax assets recognized in profit or loss		
Unamortized past service cost	P959,717	P440,482
Allowance for impairment losses	437,030	437,030
	1,396,747	877,512
Deferred tax liabilities recognized in profit or loss:		
Contribution to retirement expense		–
Unrealized foreign exchange gain		–
Pension asset	707,042	409,161
Foreign exchange gain	65,876	37,358
	772,918	446,519
Net deferred tax asset in profit or loss	623,829	430,993
Net deferred tax liability recognized in OCI		
Remeasurement gain on net pension liability	(256,660)	(236,851)
	P367,169	P194,142

The reconciliation of income tax at statutory income tax rate to effective income tax follows:

	2017	2016
Statutory income tax	P10,501,781	P7,300,772
Add (deduct) tax effects of:		
Interest income already subjected to final tax	(53,543)	(62,260)
Nondeductible expense	1,977,604	103,546
Provision for income tax	P12,425,842	P7,342,058

16. Capital and Financial Risk Management Objectives and Policies

Governance Framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognizes the critical importance of having efficient and effective risk management systems in place.

The BOD approves the Company's risk management policies and meets regularly to approve any commercial, regulatory and organizational requirements of such policies. These policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets and specify reporting requirements.

Fair Value of Financial Instruments

Due to the short-term nature of cash and cash equivalents, accounts receivable, commissions and trade payables, accrued expenses and other payables, their fair values approximate the carrying values as of the reporting date.

Cash - due to the short-term nature of the account, the fair value of cash approximate the carrying amounts in the statements of financial position.

Due to related parties - due to the short-term nature of the account, carrying amounts approximate their fair values.

Accounts and other payables - fair values of accounts and other payables approximate their carrying amounts in the statement of financial position due to the short-term nature of the transactions.

The main purpose of the Company's financial instruments is to fund its operations and capital expenditures. The main risks arising from the Company's financial instruments are liquidity risk and credit risk. The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

Fair Value Hierarchy

The following table shows the fair value hierarchy of the company's investment properties as at December 31, 2017.

	2017			Total
	Quoted Price in Active Markets	Significant Observable Inputs	Significant Observable Inputs	
<i>Assets for which fair value is disclosed:</i>				
Investment property	P=	P=	P11,718,396	P11,718,396

The Company uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which uses inputs which have a significant effect on the recorded fair value that are not based on observable market data

Liquidity risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Company seeks to manage its liquidity profile to be able to finance its capital expenditures and operations. The Company maintains a level of cash deemed sufficient to finance operations.

As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows.

	2017	2016
Financial Assets		
Loans and receivables		
Cash	P23,811,645	P10,803,346
Commissions receivables	1,569,562	14,693,367
Accounts receivables	3,303,785	8,801,138
Interest receivable	9,249	568,325
Short-term investment	5,250,743	5,155,412
Long-term investment	3,900,000	3,000,000
Available for sale financial assets	38,067,928	24,597,868
	75,912,912	67,619,456
Financial Liabilities		
Other financial liabilities		
Trade payables	2,794,177	22,833,908
Accrued expenses	11,598,853	3,588,065
Other payables	638,121	3,467,566
	15,031,151	29,889,539
Net Financial Assets	P60,881,761	P37,729,917

Management believes that the Company's exposure to liquidity risk is minimal because the maturities of the financial liabilities, which is payable upon demand, matches the maturities of the financial assets.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company's receivables are actively monitored to avoid significant concentrations of credit risk.

The Company has adopted a no-business policy with customers lacking appropriate credit history where credit records are available.

The Company manages the level of credit risk it accepts through a comprehensive credit risk policy setting out the assessment and determination of what constitutes credit risk for the Company; setting up of exposure limits by each counterparty or group of counterparties; invoking the right of offset where counterparties are both debtors and creditors; reporting of credit risk exposures; monitoring of compliance with credit risk policy; and reviewing of credit risk policy for pertinence and the changing environment. In addition, receivables are monitored on an ongoing basis to manage the Company's exposure to impairment losses.

The table below shows the maximum exposure of the Company to credit risk for the components of its statements of financial position.

	2017	2016
Cash (excluding cash on hand amounting ₱132,975 and ₱37,620 in 2017 and 2016, respectively)	₱23,678,670	₱10,765,726
Commissions receivables	1,569,562	14,693,367
Accounts receivables	3,303,784	8,801,138
Interest receivable	9,249	568,325
Short-term investment	5,250,743	5,155,412
Long-term investment	3,900,000	3,000,000
	₱37,712,008	₱42,983,968

The credit risk is concentrated to the following customers:

	Percentage	
Type of customer	2017	2016
Affiliates	83.45%	79.55%
Non affiliates	16.55%	20.45%
	100%	100%

Capital Management

The Company considers the equity presented in the statement of financial position as its capital. The primary objective of the Company's capital management is to ensure that it maintains a healthy capital in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

As of December 31, 2017 and 2016, the Company's net equity follows:

	2017	2016
Capital stock	₱35,899,900	₱22,232,500
Unappropriated retained earnings	26,594,140	24,214,048
Remeasurement gain on defined benefit plan	598,874	552,652
	₱63,092,914	₱46,999,200

17. Lease Commitment

CARD MRI Insurance Agency Inc. (CaMIA) has no new lease commitments entered for the year 2017. On October 15, 2016, the Company entered into a new five-year operating lease agreement with CARD MBA with renewal option included in the contracts. Renewal is at the option of the lessee subject to a ten percent (10%) increase in monthly rental every two (2) years starting the 3rd year of the lease term. Rent expense included in profit or loss in 2017 and 2016 amounted to ₱488,684 and ₱374,563, respectively.

As of December 31, 2017 the amount of future minimum rentals payable for the existing contract is based on the remaining term of the contract, as follows:

	2017	2016
Within 1 year	P498,442	P382,686
More than 1 year but not more than 5 years	2,660,617	1,446,964
	P3,159,059	P1,829,650

18. Brokerage Agreement

The Company has agreements with various insurance companies to: (1) be the exclusive distributor of Sagip Plan, Kabuklod Plan and CARD Care; (2) collect all premiums due on all insurance directly solicited by and/or credited to the Company; and (3) remit premiums, taxes and charges collected for a policy issued by Insurance Company. Under the terms of these agreements, the Company is entitled to remuneration equal to a percentage of the premiums written, net of taxes. Expenses incurred in connection with its brokerage services are for the Company's account.

Commission income derived from brokerage services amounted to P92,217,457 and P75,211,017 in 2017 and 2016, respectively.

19. Supplementary Information Required Under Revenue Regulations 15-2010

The Company reported and/or paid the following types of taxes in 2017:

a. Value added tax (VAT)

Input VAT

The amount of input VAT amounted to:

At January 1	P71,440
Additional	494,214
Application of input VAT against output VAT	(464,166)
At December 31	P101,488

Output VAT

The Company declared output VAT amounting to P11,066,095 arising from the commission income received during the year.

b. Information on the Company's importations

The Company does not undertake importation activities.

c. Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses, and permit fees amounting to ₱132,157 lodged under the caption 'Taxes and Licenses' under the 'Expenses' section in the Company's statement of comprehensive income.

Local

Transfer tax	₱43,529
Documentary stamp tax	50,014
Business permits	35,514
Community tax certificate	2,100
Barangay clearance	500

National

BIR Registration fee	500
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₱132,157

a. Withholding Taxes

Details of withholding taxes follow:

Expanded withholding taxes	₱547,448
Withholding taxes on compensation and benefits	445,082
	₱992,530

b. Tax Assessments and Cases

On December 12, 2017, the Company received a Preliminary Assessment Notice (PAN) from the BIR for deficiency taxes relating to taxable year 2014. On January 3, 2018, a Formal Letter of Demand (FLD) was issued by the BIR to the Company amounting to ₱13,290,523, inclusive of penalties and interests. As of the approval date of the financial statements, the BIR has not responded to the appeal. Management believes that it is not liable to pay deficiency taxes and has a strong position on the tax assessment, and if decided adversely, will not have a material effect on the Association's financial position and results of operations.

Aside from the foregoing, the Company has no open tax assessments or pending cases with the BIR.

CARD MRI INSURANCE AGENCY, INC.

**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2017**

Unappropriated Retained Earnings, beginning		P24,214,048
Add: Net income actually earned / realized during the year		
Net income during the period closed to retained earnings	22,580,092	
Less: Non-actual / unrealized income net of tax		
Unrealized foreign currency gain	(95,060)	
Add: Non-actual losses		
Provision for doubtful accounts	4,592,019	
Net income actually earned during the year		27,077,051
Less: Dividend declarations during the period		(20,200,000)
Unappropriated Retained Earnings, end		
available for dividend distribution		P31,091,099

CARD MRI INSURANCE AGENCY, INC.**SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS
UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS
DECEMBER 31, 2017**

Below is the list of all Philippine Financial Reporting Standards (PFRS), Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2017:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted/ Not Early Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRS Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Meaning of Effective PFRS			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Share-based Payment, Classification and Measurement of Share-based Payment Transactions*			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted/ Not Early Adopted	Not Applicable
PFRS 4	Insurance Contracts	✓		
	Amendments to PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PFRS 4: Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4		✓	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in PFRS 9			✓
	Amendments to PFRS 7: Servicing Contracts and Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments			✓
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments Assets to the Entity's Assets			✓
PFRS 9	Financial Instruments: Classification and Measurement of Financial Assets*		✓	
	Financial Instruments: Classification and Measurement of Financial Liabilities*		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
	PFRS 9, Financial Instruments (Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39)		✓	
	PFRS 9, Financial Instruments (2014)		✓	
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted/ Not Early Adopted	Not Applicable
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosures of Interests in Other Entities			✓
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Investment Entities Applying the Consolidation Exception			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables			✓
	Amendment to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers*		✓	
	Amendments to PFRS 15, Clarifications to PFRS 15*		✓	
PFRS 16	Leases*		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1 (Revised): Disclosure Initiative		✓	
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Statement of Cash Flows, Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
	Amendment to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses		✓	
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation on Revaluation			✓
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16, Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted/ Not Early Adopted	Not Applicable
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution			✓
	Amendments to PAS 19: Discount Rate: Regional Market Issue	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28 (Amended): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PAS 28 (Amended): Investment Entities: Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted/ Not Early Adopted	Not Applicable
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Reclassification of Financial Assets	✓		
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendment to PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
	Amendments to PAS 39: Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40: Investment Property: Clarifying the relationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property			✓
	Amendments to PAS 40: Investment Property, Transfers of Investment Property*			✓
PAS 41	Agriculture			✓
	Amendment to PAS 16 and PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted/ Not Early Adopted	Not Applicable
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate*			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC-22	Foreign Currency Transactions and Advance Consideration			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓