

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
CARD MRI Insurance Agency, Inc.
120 M. Paulino St. corner P. Burgos St.,
Brgy. VII-D, San Pablo City, Laguna

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CARD MRI Insurance Agency, Inc. (the Company), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 25 is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of CARD MRI Insurance Agency, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Miguel U. Ballelos Jr.

Miguel U. Ballelos, Jr.

Partner

CPA Certificate No. 109950

SEC Accreditation No. 1566-AR-1 (Group A),

April 3, 2019, valid until April 2, 2022

Tax Identification No. 241-031-088

BIR Accreditation No. 08-001998-114-2019,

January 28, 2019, valid until January 27, 2022

PTR No. 8125210, January 7, 2020, Makati City

April 30, 2020



CARD MRI INSURANCE AGENCY, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents (Note 4)	₱22,301,175	₱31,685,609
Short-term investment (Note 5)	12,856,290	5,392,735
Loans and receivables (Note 6)	33,755,385	15,425,220
Other assets (Note 7)	3,395,616	588,285
	72,308,466	53,091,849
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (FVOCI) (Note 8)	66,286,770	51,418,174
Investment in associates (Note 9)	1,827,620	2,504,112
Long-term investment (Note 10)	3,900,000	3,900,000
Property and equipment (Note 11)	1,997,964	63,841
Investment properties (Note 12)	7,176,450	11,395,096
Deferred tax assets (Note 18)	1,177,378	824,681
Pension asset – net (Note 16)	2,937,722	2,899,006
	85,303,904	73,004,910
	₱157,612,370	₱126,096,759
LIABILITIES AND EQUITY		
Current Liabilities		
Income tax payable (Note 13)	₱2,495,796	₱2,720,465
Trade and other payables (Note 13)	33,287,089	33,841,023
	₱35,782,885	₱36,561,488
Equity		
Capital stock (Note 14)	50,000,000	50,000,000
Retained earnings (Note 14)	77,667,840	45,378,820
Remeasurement loss on defined benefit plan (Note 16)	(1,513,036)	(468,655)
Unrealized loss on financial asset at FVOCI (Note 8)	(4,325,319)	(5,374,894)
	121,829,485	89,535,271
	₱157,612,370	₱126,096,759

See accompanying Notes to Financial Statements.



CARD MRI INSURANCE AGENCY, INC.
STATEMENTS OF INCOME

	Years Ended December 31	
	2019	2018
REVENUE		
Commission income (Note 21)	₱109,201,224	₱93,756,980
Dividend income	5,803,700	1,740,000
Administration fee	2,143,004	5,159,216
Interest income (Notes 4, 5, 7 and 10)	837,222	558,502
Other income (Note 12)	1,088,987	1,034,588
	119,074,137	102,249,286
EXPENSES		
Salaries and allowances	10,569,821	6,584,681
Transportation and travel	7,124,966	5,735,454
Program monitoring and evaluation	3,968,702	5,145,291
Training and development	3,246,642	6,141,014
Professional fees	2,316,988	8,327,525
Depreciation (Notes 11, 12 and 17)	2,260,344	458,382
Information technology expense	1,876,026	1,632,980
Advertising and promotion	1,521,429	474,249
Security and janitorial	1,368,976	651,578
Supplies	1,027,928	1,291,370
Insurance	806,967	855,159
Repairs and maintenance	595,794	365,648
Communication and postage	361,462	359,751
Representation and entertainment	298,499	144,682
Taxes and licenses	193,123	289,323
Rent (Note 17)	179,417	469,579
Light and water	147,293	125,701
Interest expense (Note 17)	143,901	—
Donations	118,160	5,000,000
Pension expense (Note 16)	15,361	101,195
Provision for impairment losses (Note 8)	—	2,222,385
Other expenses	141,787	40,645
	38,283,586	46,416,592
INCOME BEFORE SHARE IN NET LOSS OF ASSOCIATE	80,790,551	55,832,694
SHARE IN NET LOSS OF ASSOCIATE (Note 9)	(676,492)	(345,040)
INCOME BEFORE INCOME TAX	80,114,059	55,487,654
PROVISION FOR TAX (Note 18)	22,825,039	20,688,042
NET INCOME	₱57,289,020	₱34,799,612

See accompanying Notes to Financial Statements.



CARD MRI INSURANCE AGENCY, INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2019	2018
NET INCOME	₱57,289,020	₱34,799,612
OTHER COMPREHENSIVE INCOME		
<i>Items that will be reclassified to profit or loss in subsequent periods:</i>		
Unrealized gain on financial asset at fair value through other comprehensive income (Note 8)	1,049,575	—
<i>Items that will not to be reclassified to profit or loss in subsequent periods:</i>		
Remeasurement loss on defined benefit plan – net of tax (Note 16)	(1,044,381)	(1,067,529)
	5,194	(1,067,529)
TOTAL COMPREHENSIVE INCOME	₱57,294,214	₱33,732,083

See accompanying Notes to Financial Statements.



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

	Capital Stock (Note 14)	Unappropriated Retained Earnings (Note 14)	Remeasurement Loss on Defined Benefit Plan (Note 16)	Unrealized loss on financial asset at FVOCI (Note 8)	Total
At January 1, 2019	₱50,000,000	₱45,378,820	(₱468,655)	(₱5,374,894)	₱89,535,271
Dividends (Note 14)	—	(25,000,000)	—	—	(25,000,000)
Total comprehensive income				—	
Net income	—	57,289,020	—	—	57,289,020
Other comprehensive income	—	—	(1,044,381)	1,049,575	5,194
At December 31, 2019	₱50,000,000	₱77,667,840	(₱1,513,036)	(₱4,325,319)	₱121,829,485
At January 1, 2018	₱35,899,500	₱37,079,408	₱598,874	(₱5,374,894)	₱68,202,888
Issuance of shares:					
Additional capital infusion during the year	14,100,500	—	—	—	14,100,500
Dividends (Note 14)	—	(26,500,200)	—	—	(26,500,200)
Total comprehensive income				—	
Net income	—	34,799,612	—	—	34,799,612
Other comprehensive loss	—	—	(1,067,529)	—	(1,067,529)
At December 31, 2018	₱50,000,000	₱45,378,820	(₱468,655)	(₱5,374,894)	₱89,535,271

See accompanying Notes to Financial Statements



CARD MRI INSURANCE AGENCY, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱80,114,059	₱55,487,654
Adjustments for:		
Depreciation (Note 11, 12 and 17)	2,260,344	458,382
Interest income (Notes 4, 5, 6 and 10)	(837,222)	(558,502)
Gain on sale of investment property (Note 12)	(802,854)	—
Share in net loss of associate (Note 9)	676,492	345,040
Interest expense (Note 17)	143,901	—
Retirement expense (Note 16)	15,361	101,195
Loss on disposal of property and equipment (Note 11)	536	—
Provision for impairment losses (Note 7)	—	2,222,385
Bad debts recovery (Note 6)	—	(141,684)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Loans and receivables	(18,028,341)	(3,801,175)
Short-term investments	(7,463,555)	(141,992)
Other current assets	(2,772,661)	5,367,629
Increase (decrease) in trade and other payables	(2,767,762)	6,411,599
Net cash flows generated from operations	50,538,298	65,750,531
Income tax paid	(22,954,813)	(26,216,878)
Contributions made to the retirement fund (Note 16)	(1,546,050)	(1,446,346)
Interest received	500,728	459,939
Net cash flows provided by operating activities	26,538,163	38,547,246
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Financial assets at FVOCI (Note 8)	(13,819,021)	(16,886,791)
Property and equipment (Note 11)	(284,866)	—
Investment in associates (Note 9)	—	(1,386,791)
Proceeds from disposal of investment property (Note 12)	4,698,200	—
Net cash flows used in investing activities	(9,405,687)	(18,273,582)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid (Note 14)	(24,622,360)	(26,500,200)
Payment of lease liabilities (Note 17)	(1,894,550)	—
Additional capital infusion (Note 14)	—	14,100,500
Net cash flows used in financing activities	(26,516,910)	(12,399,700)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(9,384,434)	7,873,964
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	31,685,609	23,811,645
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱22,301,175	₱31,685,609

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 St., corner 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 April 30, 2020.

2. Summary of Significant Accounting Policies

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 availed of the exemption from the mandatory adoption of PFRS for Small and Medium-sized Entities (PFRS for SMEs) on the grounds that the Company is reporting to a Company that is reporting under full PFRS.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new, amendments and improvements to PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation which became effective as of January 1, 2019. Except as otherwise indicated, these changes in the accounting policies did not have a significant impact on the financial position or performance of the Company:

PFRS 16, Leases

PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. Therefore, PFRS 16 did not have an impact for leases where the Company is the lessor.



On January 1, 2019, the Company adopted PFRS 16 following the modified retrospective approach. Under the modified retrospective approach, the Company did not restate prior-period comparative financial statements which remain to be reported under PAS 17. Therefore, some accounts in the comparative financial statements are not comparable to the information presented for 2019.

The Company elected to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4. The Company therefore did not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17 and Philippine Interpretation IFRIC-4.

The effect of adoption of PFRS 16 as at January 1, 2019 is, as follows:

	Increase (decrease)
Assets	
Property and equipment	₱577,159
Other Assets	(14,336)
Liabilities	
Trade and other payables	562,823

Based on the above, as at January 1, 2019:

- Property and equipment was recognized amounting to ₱0.58 million representing the amount of right-of-use assets set up on transition date.
- Additional lease liabilities of ₱0.56 million were recognized.
- Other assets of ₱14,336 related to capitalizable portion of security deposits to right-of-use asset were derecognized.

The Company has lease contracts for various items of IT equipment, vehicles and office space. Before the adoption of PFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Leases previously accounted for as operating leases

The Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application



As of January 1, 2019, the weighted average incremental borrowing rate (IBR) applied to lease commitments is 7.12%. The reconciliation of the operating lease commitments as of December 31, 2018 to lease liability as at January 1, 2019 follows:

Operating lease commitments as at December 31, 2018	₱824,162
Leases of short-term and low-value assets commitments as at December 31, 2018	(236,017)
Total gross lease payments as of January 1, 2019	588,145
Incremental borrowing rate	7.12%
Lease liabilities as at January 1, 2019	₱562,823

The adoption of PFRS 16 did not have an impact on equity in 2019, since the Company elected to measure the right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application.

Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

The adoption of the interpretation did not have significant impact on the Company's financial statements as the Company.

Several other amendments and interpretations as listed below apply for the first time in 2019, but do not have an impact on the financial statements of the Company.

- Amendments to PFRS 9, Financial Instruments – Prepayment Features with Negative Compensation
- Amendments to PAS 28, Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures
- Amendments to PAS 19, Employee Benefits – Plan Amendment, Curtailment or Settlement
- Annual Improvements to PFRS 2015 to 2017 Cycle
 - PFRS 3, *Business Combinations* and PFRS 11, *Joint Arrangements* – Previously held interest in a joint operation



- PAS 12, *Income Taxes - Income tax consequence of payments on financial instruments classified as equity*
- PAS 23, *Borrowing Costs – Borrowing costs eligible for capitalization*

Significant Accounting Policies

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 re-assessing 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.

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 – Initial Recognition and Subsequent Measurement

Date of recognition

Financial instruments are recognized in the statement 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 market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.



'Day 1' difference

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' difference) in the statement of revenue over expenses unless it qualifies for recognition as some other type of asset. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the statement of 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' difference amount

Initial recognition and measurement of financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Receivables are measured at the transaction price.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments),
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments),
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments), and
- FVTPL.

Financial assets at amortized cost

The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost include 'Cash and cash equivalents', 'Short-term investments' and 'Loans and receivables' and security deposits recorded in 'Other assets'.



Financial assets at FVOCI

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses arising from changes in fair value are recognized in other comprehensive income. When the asset is disposed of, the cumulative gains and losses previously are never recycled to profit or loss. Any dividends earned on holding these equity instruments are recognized in profit or loss under 'Dividend income' account.

The Company has designated its unquoted equity instruments as at FVOCI on initial application of PFRS 9 as these are not held for trading purposes.

Initial recognition and measurement of financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost (loans and borrowings)

Financial liabilities at amortized cost

Issued financial instruments or their components, which are not designated at FVPL, are classified as liabilities under trade payables, accrued expenses and other payables presented as 'Trade and other payables' in the statement of financial position, 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. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, financial liabilities not qualified as and not designated as FVTPL are subsequently measured at amortized cost using the EIR 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 EIR.

Reclassification of Financial Assets

The Company can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Company is required to reclassify financial assets: (i) from amortized cost to fair value, if the objective of the business model changes so that the amortized cost criteria are no longer met; and (ii) from fair value to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.



A change in business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. A change in the objective of the Company's business model will be effected only at the beginning of the next reporting period following the change in the business model.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

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

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

Where the Company has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and associated liability are measured on the basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Write-offs

Financial assets are written off either partially or in their entirety when the Company no longer expects collections or recoveries within a foreseeable future. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Financial liabilities

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

Impairment of Financial Assets

The Company recognizes a loss allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.



ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For financial asset with no significant financing component, the Company applies the simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Management of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Investment Properties

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 properties are stated at cost less accumulated depreciation and amortization and any impairment in value.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

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

Property and Equipment

The Company's property and equipment consist of equipment, furniture and fixtures, and right-of-use assets.

Property and equipment are stated at cost less accumulated depreciation, 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. Expenditures incurred after the items of property and equipment have been put into operation, such as repairs and maintenance, are charged against the statement of income. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future benefits expected to be obtained from the use of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of the asset.



Effective January 1, 2019, it is the Company's policy to classify right-of-use assets as part of property and equipment. Prior to that date, all of the Company's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the statement of financial position. The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. Right-of-use assets are subject to impairment.

Depreciation is computed using the straight-line method over the EUL of the respective assets. The EULs of the depreciable assets are presented in the next page:

	Years
Transportation equipment	5
Computer and office equipment	3
Office furniture and fixtures	3
Right-of-use asset	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 useful life and the depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

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

Impairment of Non-Financial Assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit (CGU)'s fair value less costs of disposal and its value in use. The recoverable amount 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. When the carrying amount of an asset or CGU 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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.



These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses may no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor 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 the statement of income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Creditable Withholding Taxes (CWTs)

CWTs pertain to the taxes 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 the end of each 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 the end of each 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 acquisition from the asset or as part of the expense item as applicable; and
- receivable and payable 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 assets' in the statement of financial position.

Net Pension Liability/Asset

The Company operates a defined benefit pension plan which requires contributions to be made to a separately administered fund.

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, 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

Capital stock is measured at par value for all shares issued and outstanding. Proceeds in excess of par value are recognized under equity as "Additional paid-in capital" in the statement of financial position. Incremental costs incurred which are directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. The subscribed capital stock is reported as part of equity and the related subscription receivable is presented as asset when it is expected to be collected within 12 months or contra-equity when it is expected to be collected for more than 12 months.

Retained Earnings

Retained earnings represent all accumulated profits or losses of the Company and all other capital adjustments.

Revenue

Revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

Revenues within the scope of PFRS 15, Revenue from Contracts with Customers

Revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.



The following specific recognition criteria must also be met before revenue is recognized within the scope of PFRS 15:

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.

Administration fee

Administration fee is recognized by the Company upon rendition of the service to its clients.

Other income

Income from other sources is recognized when earned.

Revenues outside the scope of PFRS 15

Interest income

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

Dividend income

Dividend income is recognized when the Company's right to receive payment is established.

General and Administrative Expenses

Expense is recognized when it is probable that a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has occurred and the decrease can be measured reliably. Expenses are recognized in profit or loss as incurred.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of



interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of various IT equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Income and Other Taxes

Current tax

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

Deferred tax

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

Deferred tax assets or liabilities, however, is not recognized when it arises 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 (loss).

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

Deferred tax assets and deferred tax 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.

Current tax and deferred tax relating to items recognized as other comprehensive income is also recognized in the Company's 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 under 'Interest expense' in the statement of income.

Contingencies

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

Events after the End of the Reporting Period

Post year-end events up to the date of the approval of the Board of Directors (BOD) of the financial statements that provide additional information about the Company's position at the reporting date (adjusting events), are reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed in the notes to the financial statements when material.

Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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



3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and the disclosures of contingent assets and contingent liabilities, if any. The effects of any changes in judgements and estimates are reflected in the financial statements as they become reasonably determinable.

Judgments 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

Fair value of financial assets

When the fair values of financial instruments recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These judgments may include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

The carrying values and corresponding fair values of financial instruments as well as the manner in which fair values were determined are discussed in Note 19.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the 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 collectability 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 values and the corresponding allowance for impairment losses is disclosed in Note 6.

Estimating the incremental borrowing rate

If the Company cannot readily determine the interest rate implicit in the lease, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as the Company's borrowing rates from banks).



As of December 31, 2019, the Company's lease liability amounted to ₱1.77 million (Note 17).

Recognition of deferred tax assets

Deferred tax assets are recognized for unused tax losses 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, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. The Company reviews the carrying amount of deferred tax asset at each reporting date and reduces this to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized.

As of December 31, 2019 and 2018, the Company recognized deferred tax assets amounting to ₱1.18 million and ₱0.82 million, respectively (Note 18).

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 assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and the long-term nature of these plans, such estimates are subject to significant uncertainty. The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of the statement of financial position date. The present value of the retirement liability of the Company is disclosed in Note 16.

4. Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand	₱191,213	₱87,791
Cash in banks (Note 15)	22,109,962	29,401,865
Cash equivalents	—	2,195,953
	₱22,301,175	₱31,685,609

Cash in banks earns interest that ranged from 0.25% to 1.50% in 2019 and 2018. Interest income earned from cash in banks amounted to ₱0.19 million and ₱0.21 million in 2019 and 2018, respectively.

5. Short-term Investments

Short-term investments are 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 that ranged from 3.00% to 4.25% in 2019 and 2018, respectively.



The rollforward analysis of short-term investments follows:

	2019	2018
At January 1	₱5,392,735	₱5,250,743
Additions	7,463,555	141,992
At December 31	₱12,856,290	₱5,392,735

Interest income earned from short-term investments amounted to ₱0.27 million and ₱0.18 million in 2019 and in 2018, respectively.

6. Loans and Receivables

This account consists of:

	2019	2018
Accounts receivable:		
Related parties (Note 15)	₱1,812,346	₱1,550,579
Others	1,965,681	1,017,926
Commissions receivable		
Related parties (Note 15)	29,856,592	13,037,773
Interest receivable	409,636	107,812
	34,044,255	15,714,090
Allowance for impairment losses	(288,870)	(288,870)
	₱33,755,385	₱15,425,220

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 DAKILA premiums, Security Fund 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:

	2019	2018
At January 1	₱288,870	₱1,456,768
Write-off	—	(1,309,582)
Recovery	—	141,684
At December 31	₱288,870	₱288,870

In 2018, the Company had written-off receivables amounting to ₱1.03 million that were previously fully provided with allowance since management assessed that these amounts are not recoverable.



7. Other Assets

This account consists of:

	2019	2018
Financial Asset		
Security deposit	₱640,082	₱354,157
	640,082	354,157
Nonfinancial Asset		
Creditable withholding taxes (CWTs)	4,221,983	1,132,964
Input VAT	197,609	711,257
Supplies inventory	71,069	154,253
Advance rental	63,074	—
Prepaid expense	60,756	—
Prepaid rent	—	94,611
	4,614,491	2,093,085
	5,234,573	2,447,242
Allowance for impairment losses	(1,858,957)	(1,858,957)
	₱3,395,616	₱588,285

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.

The Company recognized allowance for impairment loss on certain creditable withholding taxes that have no supporting certificates as of reporting date.

The Company recognized interest income amounting to ₱0.04 million on the amortization of security deposits in 2019.

8. Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)

The rollforward analysis of this account follows:

	2019	2018
Balance at January 1	₱51,418,174	₱32,693,035
Additions	13,819,021	21,574,291
Unrealized gain (loss)	1,049,575	—
Reclassification (Note 9)	—	(2,849,152)
	₱66,286,770	₱51,418,174

The movements in net unrealized gain (loss) on FVOCI of the Association are as follows:

	2019	2018
Balance at January 1	(₱5,374,894)	(₱5,374,894)
Fair value gain (loss) recognized in OCI	1,049,575	—
Balance at December 31	(₱4,325,319)	(₱5,374,894)



Details of unquoted equity securities follows:

	2019			2018		
	Amount	Shares	Percentage of ownership	Amount	Shares	Percentage of ownership
CARD Pioneer Microinsurance, Inc. (CPMI)	₱31,552,848	146,079	2.90%	₱28,143,174	100,001	2.90%
CARD Bank, Inc. (CBI)	14,373,479	45,000	1.00%	9,000,000	45,000	1.00%
Rizal Bank, Inc. (RBI)	13,368,273	55,000	11.00%	—	—	—
CARD MRI Holdings, Inc. (CMHI)	2,054,248	250,000	5.00%	6,250,000	250,000	5.00%
RIMANSI Mutual Solutions Insurance Agency, Inc. (RMSI)	1,500,000	30,000	12.30%	1,500,000	30,000	12.30%
CARD MRI Property Holdings, Inc. (CMPHI)	1,662,175	226,237	10.00%	6,525,000	225,000	10.00%
ASENSO TECH PTE LTD.	1,775,747	36,000	9.00%	—	—	—
	₱66,286,770			₱51,418,174		

On April 24, 2018, the Company acquired additional 25,000 preferred shares from CBI amounting to ₱5.00 million. On May 2, 2018, 10,000 additional shares were acquired from RMSI amounting to ₱0.50 million. The Company also acquired additional 100,000 shares from CMPHI amounting to ₱10.00 million.

In 2019, the Company acquired 55,000 preferred shares from RBI amounting to ₱11 million and 36,000 preferred shares from ASENSO Tech PTE Ltd., amounting to ₱1,885,320.

9. Investment in Associates

This account consists of:

	2019	2018
Acquisition cost	₱2,504,112	₱2,849,152
Current year equity in net losses	(676,492)	(345,040)
	₱1,827,620	₱2,504,112

In 2018, the Company acquired significant influence in MEADA Rabrong, Plc. (MEADA) due to representation in the board seating of the investee which represents 18.73% of the BOD membership. Therefore, investments in MEADA was reclassified from Financial Assets at FVOCI to Investment in Associates.

As of December 31, 2019 and 2018, the Company has 18.73% share on MEADA. The details of the investment follow:

	2019	2018
Acquisition cost		
At January 1	₱2,849,152	₱1,462,361
Placements	—	1,386,791
At December 31	2,849,152	2,849,152
Accumulated equity in net loss		
At January 1	(345,040)	—
Share in net loss	(676,492)	(345,040)
At December 31	(1,021,532)	(345,040)
	₱1,827,620	₱2,504,112



The table below illustrates the summarized financial information of MEADA:

	2019	2018
Current assets	₱14,485,991	₱ 20,374,030
Noncurrent assets	–	10,907,646
Current liabilities	8,820,525	21,642,411
Noncurrent liabilities	1,499,485	1,557,994

Summarized financial information of the financial statements of comprehensive income of the associates follow:

	2019	2018
Revenue	₱4,027,806	₱8,163,476
Cost and expenses	7,639,616	10,005,654
Total comprehensive loss	(3,611,810)	(1,842,178)

10. Long-term Investment

As of December 31, 2019 and 2018, the Company's long-term investments, which will mature on July 14, 2022, are placements in CARD Bank, Inc., amounting to ₱3.90 million with a term of five (5) years that bear annual interest of 6.00%. If withdrawn before maturity, this shall earn interest based on the prevailing interest rate of CARD Bank, Inc. for regular deposits. Interest income earned from these investments amounted to ₱0.34 million and ₱0.17 million in 2019 and 2018, respectively.

11. Property and Equipment

The rollforward analysis of this account follows:

	2019				
	Computer and Office equipment	Office furniture and fixture	Transportation equipment	Right-of-use assets (Note 17)	Total
Cost					
Balance at January 1	₱1,494,978	₱230,821	₱856,000	₱577,159	₱3,158,958
Additions	284,866	–	–	3,009,679	3,294,545
Disposal	(384,991)	(135,071)	–	–	(520,062)
Balance at December 31	1,394,853	95,750	856,000	3,586,838	5,933,441
Accumulated Depreciation					
Balance at January 1	1,453,602	208,358	855,999	–	2,517,959
Depreciation	79,242	19,667	–	1,838,135	1,937,044
Disposal	(384,471)	(135,055)	–	–	(519,526)
Balance at December 31	1,148,373	92,970	855,999	1,838,135	3,935,477
Net Book Value	₱246,480	₱2,780	₱1	1,748,703	₱1,997,964



	2018			
	Computer and Office equipment	Office furniture and fixture	Transportation equipment	Total
Cost				
At January 1 and December 31	₱1,494,978	₱230,821	₱856,000	₱2,581,799
Accumulated Depreciation				
At January 1	1,343,593	183,284	855,999	2,382,876
Depreciation	110,009	25,074	—	135,082
At December 31	1,453,602	208,358	855,999	2,517,958
Net Book Value	₱41,376	₱22,463	₱1	₱63,841

The cost of fully depreciated property and equipment still in active use amounted to ₱1.97 million and ₱2.39 million as of December 31, 2019 and 2018, respectively.

12. Investment Properties

The Company's investment properties pertain to land held for capital appreciation and building intended for leasing to third parties. The rollforward analyses of this account follows:

	2019		
	Land	Building	Total
Cost			
At January 1	₱8,970,346	₱3,233,000	₱12,203,346
Disposal	(3,895,346)		(3,895,346)
At December 31	5,075,000	3,233,000	8,308,000
Accumulated Depreciation			
At January 1	—	808,250	808,250
Depreciation	—	323,300	323,300
At December 31	—	1,131,550	1,131,550
Net Book Value	₱5,075,000	₱2,101,450	₱7,176,450

	2018		
	Land	Building	Total
Cost			
At January 1 and December 31	₱8,970,346	₱3,233,000	₱12,203,346
Accumulated Depreciation			
At January 1	—	484,950	484,950
Depreciation	—	323,300	323,300
At December 31	—	808,250	808,250
Net Book Value	₱8,970,346	₱2,424,750	₱11,395,096

On February 2019, the Company sold one of its land properties located at Silang, Cavite at ₱4.7 million with a cost of ₱3.9 million, resulting in a gain amounting to ₱0.8 million.

As at December 31, 2019 and 2018, no investment property has been pledged as collateral or security for any of the Company's liabilities.

As of December 31, 2019 and 2018, all investment properties of the Association generate income. Rental income on investment properties (included under 'Other income' in the statements of income) in 2019 and 2018 amounted to ₱0.25 million and ₱0.23 million, respectively.



Direct operating expenses on investment properties in 2019 and 2018 included under 'Depreciation' and 'Taxes and licenses' in the statements of income amounted to ₱0.34 million.

13. Trade and Other Payables

This account consists of:

	2019	2018
Financial Liabilities		
Accrued expenses and provisions (Note 19)	₱4,956,587	₱9,576,038
AP - Others	5,735,896	207,962
Subscription payable (Note 15)	4,687,500	4,687,500
Trade payables to related parties (Note 15)	3,214,752	9,610,696
Unearned income (Note 15)	2,758,481	—
Scholarship fund	981,882	1,051,882
AP - Security Fund	638,399	412,514
AP - Others Travel	156,132	—
Capiling fund	—	6,871,195
Others	440,104	62,464
	23,569,733	32,480,251
Nonfinancial Liabilities		
Accrued expenses and provisions	5,400,573	—
Due to government agencies	2,545,004	1,360,772
Income tax payable	2,495,796	2,720,465
Finance lease payable (Note 17)	1,771,779	—
	12,213,152	4,081,237
	₱35,782,885	₱36,561,488

Accrued expenses consist of accruals of operating expenses, employee benefits and bonuses.

AP - Others comprises of payable to contract partners.

Subscriptions payable pertains to the subscribed shares of the Company to CARD MRI Holdings, Inc.

Security fund are payable to the microinsurance coordinators of the Company.

Unearned income pertains to advance payment made by CPMI to the Company in relation to commission.

Trade payables are noninterest-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 ₱0.98 million and ₱1.05 million as of December 31, 2019 and 2018, respectively. This is a scholarship grant to all qualified children of Microinsurance Coordinators and Microinsurance Supervisors. Scholarship fund is given to scholars quarterly at ₱3,000 each. The scholarship fund will be paid until fully utilized.



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.

Other payables consist of dividends payable and unearned rental income.

14. Equity

Capital Stock

The roll forward analysis are as follows:

	2019		2018	
	Shares	Amount	Shares	Amount
Common Stock				
Authorized	100,000	₱50,000,000	100,000	₱50,000,000
Issued and outstanding				
Subscribed	100,000	50,000,000	71,799	35,899,500
Issued stocks for the year	—	—	28,201	14,100,500
At the end of the year	100,000	₱50,000,000	100,000	₱50,000,000

In 2018, the Company issued additional shares amounting to ₱14.10 million. As of December 31, 2018, the Company has 100,000 issued and outstanding shares amounting to ₱50.00 million.

Retained Earnings

Cash dividends

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

	2019		2018	
Date of approval				
Date of declaration	September 28	April 30	September 28	April 30
Date of payment	October 15	May 14	October 5	May 2
Number of stockholders as of dividend declaration	35	35	35	32
Dividend per share	₱100.00	₱150.00	₱105.00	₱200.00
Total amount	₱10,000,000	₱15,000,000	₱10,500,000	₱16,000,200
Dividends paid	₱10,000,000	₱15,000,000	₱10,500,000	₱16,000,200

15. 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:

Category	2019				
	Amount	Outstanding	Nature	Terms	Conditions
Affiliates					
CPMI					
Due to affiliate		₱163,836	Unremitted premium for CPMI products	On-demand; noninterest-bearing	Unsecured
Beginning	₱443,857				
Billings	5,632,505				
Payment	5,912,526				
Due from affiliate		177,401	Expenses during CPMI Related Activities	On-demand; noninterest-bearing	Unsecured
Beginning	236,480				
Billings	460,462				
Collections	519,541				
Commissions receivable		29,728,040	Uncollected Commission, Traditional Insurances, CCAP & BINHI	On-demand; noninterest-bearing	Unsecured
Beginning	1,223,738				
Billings	126,892,591				
Collections	98,388,289				
Unearned income		2,758,481	Advance collection of commission	On-demand; noninterest-bearing	Unsecured
CARD MBA					
Due to affiliate		565,119	Payment for expenses during CaMIA related activities and DAKILA Claim	On-demand; noninterest-bearing	Unsecured
Beginning	463,773				
Billings	5,680,205				
Payment	5,578,859				
Due from affiliate		1,338,860	Unremitted premium of CARD MBA employees	On-demand; noninterest-bearing	Unsecured
Beginning	1,231,793				
Billings	6,667,222				
Collections	6,560,155				
CARD, Inc.					
Due to affiliate		458	Payment for service rendered of Utility	On-demand; noninterest-bearing	Unsecured
Beginning	—				
Billings	458				
Payment	—				
Due from affiliate		46,281	Insurance Premium of CARD Inc. Employees	On-demand; noninterest-bearing	Unsecured
Beginning	2,200				
Billings	1,099,784				
Collections	1,055,703				
CARD Bank Inc.					
Due to affiliate		—	Payment for various transactions	On-demand; noninterest-bearing	Unsecured
Billings	468				
Payment	468				
Due from affiliate		—	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	4,926				
Billings	757,353				
Collections	762,279				
Cash		6,657,294	Various transactions	On demand; interest at 0.25% to 1.50% for regular savings deposit and 3.50% for cash equivalents	
Beginning	6,149,453				
Deposit	114,048,986				
Withdrawals	113,541,145				
Interest Income		91,739	Interest earned on time deposits and savings account	On-demand; interest at 1.50% to 4.00%	Unsecured
Short term investment		5,711,249	Placement of funds on time deposits	On-demand; interest at 3.50%	Unsecured
Long term investment		3,900,000	Placement of funds on long term deposits	On-demand; interest at 4.00%	Unsecured
CARD SME					
Due to affiliate		6,437			
Billings	11,965			On-demand; noninterest-bearing	Unsecured
Payment	5,528				
Due from affiliate		199	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	51				
Billings	400,486				
Collections	400,338				



Category	2019				
	Amount	Outstanding	Nature	Terms	Conditions
Cash		₱1,890,906	Various transactions		
Beginning	₱6,038,313				
Deposit	26,312,487				
Withdrawal	30,459,894				
Interest Income		42,199	Interest earned on time deposits and savings account	On-demand; interest at 1.50% to 3.75%	Unsecured
Short term investment		3,502,193	Placement of funds on time deposits	On-demand; interest at 3.00% to 3.75%	Unsecured
CMDI					
Due to affiliate		—	Various transactions	On-demand; noninterest-bearing	Unsecured
Beginning	41,718				
Billings	3,012,127				
Payment	3,053,845				
Due from affiliate		19,340	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	40,176				
Billings	199,457				
Collections	220,293				
Mga Likha ni Inay (MLNI)					
Due to affiliate		21,740	Payment for MLNI products	On-demand; noninterest-bearing	Unsecured
Beginning	7,143				
Billings	21,740				
Payment	7,143				
Due from affiliate		10	Uncollected insurance premiums of employees	On-demand; noninterest-bearing	Unsecured
Beginning	42				
Billings	58,751				
Collections	58,783				
Rizal Bank, Inc.					
Due to affiliate		—	Various transactions	On-demand; noninterest-bearing	Unsecured
Beginning	199				
Billings	2,406				
Payment	2,605				
Due from affiliate		12,044	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	—				
Billings	341,805				
Collections	329,761				
Short term investment		₱3,642,848	Placement of funds on time deposits	On-demand; interest at 3.50% to 4.25%	Unsecured
RISE					
Due from affiliate		57,214	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	₱—				
Billings	57,764				
Collections	550				
CMIT					
Due from affiliate		138	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	—				
Billings	93,285				
Collections	93,147				
CLFC					
Due to affiliate		2,850	Payment for service rendered of Utility	On-demand; noninterest-bearing	Unsecured
Beginning	—				
Billings	65,175				
Payment	62,325				
Due from affiliate		33,220	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	—				
Billings	122,823				
Collections	89,603				
BotiCARD					
Due to affiliate		—	Payment for BotiCARD products	On-demand; noninterest-bearing	Unsecured
Beginning	3,612				
Billings	—				
Payment	3,612				



Category	2019				
	Amount	Outstanding	Nature	Terms	Conditions
Due from affiliate		₱—	Insurance premium of BotiCARD employees	On-demand; noninterest-bearing	Unsecured
Beginning	₱2,035				
Billings	81,199				
Collections	83,234				
BDSFI					
Due to affiliate		—	Various transactions		
Beginning	—				
Billings	123				
Payment	123				
Due from affiliate		—	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	—				
Billings	75,602				
Collections	75,602				
RMSI					
Due to affiliate		1,509,191	Unremitted premium for DAKILA	On-demand; noninterest-bearing	Unsecured
Beginning	1,224,196				
Billings	25,746,743				
Payment	25,461,748				
Due from affiliate		2,747	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	12,586				
Billings	112,516				
Collections	122,355				
Commissions receivable		128,552	Uncollected premium for DAKILA	On-demand; noninterest-bearing	Unsecured
Beginning	37				
Billings	2,818,760				
Collections	2,690,245				
CARD MRI Hijos					
Due to affiliate		—	Various transactions	On-demand; noninterest-bearing	Unsecured
Beginning	1,393				
Billings	2,940				
Payment	4,333				
Due from affiliate		—	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	449				
Billings	81,310				
Collections	81,759				
CARD MRI Publishing House					
Due to affiliate		₱923	Payment for various transactions	On-demand; noninterest-bearing; Unsecured	
Beginning	—				
Billings	₱923				
Payment	—				
Due from affiliate		—	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	314				
Billings	70,201				
Collections	70,515				
EMPC					
Due to affiliate		—	Various transactions		
Beginning	—				
Billings	37,000				
Payment	37,000				
Due from affiliate		—	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	—				
Billings	133,448				
Collections	133,448				
FDS ASYA					
Due to affiliate		4,506	Payment for various transactions	On-demand; noninterest-bearing; Unsecured	
Beginning	—				
Billings	4,506				
Payment	—				
Due from affiliate		—	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	208				
Billings	55,682				
Collections	55,890				



Category	2019				
	Amount	Outstanding	Nature	Terms	Conditions
CARD MRI Property Holdings					
Due to affiliate		₱1,244	Payment for various transactions	On-demand; noninterest-bearing;	
Beginning	₱-			Unsecured	
Billings	1,244				
Payment	-				
Due from affiliate		-	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	-				
Billings	56,592				
Collections	56,592				
CARD Myanmar					
Due from affiliate		-	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	48,837				
Billings	48,837				
Collections	48,837				
CARD MRI Holdings					
Due from affiliate		-	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	50,498				
Billings	50,498				
Collections	50,498				
Subscription payable		4,687,500	Represents payable for the shares of stock	On-demand; noninterest-bearing	Unsecured
PLI/GCLI					
Due to affiliate		937,162	Unremitted premium for PLI/GCLI Products	On-demand; noninterest-bearing	Unsecured
Beginning	531,928				
Billings	4,009,864				
Payment	3,604,630				
PLI					
Due to affiliate		1,286	Unremitted premium for PLI/GCLI Products	On-demand; noninterest-bearing	Unsecured
Beginning	133,184				
Billings	2,509				
Payment	134,407				
Due from affiliate		14,928	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	-				
Billings	36,711				
Collections	₱21,783				
ASENSO					
Due from affiliate		₱52,972	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	-				
Billings	52,972				
Collection	-				
Investment		1,775,747			
Astro Laboratories					
Due from affiliate		56,993	Uncollected insurance premium of employees	On-demand; non-interest bearing	Unsecured
Beginning	-				
Billings	57,176				
Collection	183				

Category	2018				
	Amount	Outstanding	Nature	Terms	Conditions
Affiliates					
CPMI					
Due to affiliate		443,857	Unremitted premium for CPMI products	On-demand; noninterest-bearing	Unsecured
Beginning	648,441				
Billings	41,531,775				
Payment	41,736,359				
Due from affiliate		236,480	Expenses during CPMI Related Activities	On-demand; noninterest-bearing	Unsecured
Beginning	315,608				
Billings	701,915				
Collections	781,042				
Commissions receivable		1,223,738	Uncollected Commission, Traditional Insurances, CCAP & BINHI	On-demand; noninterest-bearing	Unsecured
Beginning	1,060,067				
Billings	101,273,288				
Collections	101,109,617				



Category	2018				
	Amount	Outstanding	Nature	Terms	Conditions
CARD MBA					
Due to affiliate		₱463,773	Payment for expenses during CaMIA related activities and BAP Claim	On-demand; noninterest-bearing	Unsecured
Beginning	₱1,354,342				
Billings	5,976,060				
Payment	6,866,628				
Due from affiliate		1,231,793	Unremitted premium of CARD MBA employees	On-demand; noninterest-bearing	Unsecured
Beginning	1,453,447				
Billings	15,916,839				
Collections	16,138,492				
Commissions receivable		–	Uncollected commission for marketing of BOAT program	On-demand; noninterest-bearing	Unsecured
Beginning	384,683				
Billings	–				
Collections	384,683				
CARD, Inc.					
Due to affiliate		–	Payment for service rendered of Utility	On-demand; noninterest-bearing	Unsecured
Beginning	2,174				
Billings	4,674				
Payment	6,848				
Due from affiliate		2,200	Insurance Premium of CARD Inc. Employees	On-demand; noninterest-bearing	Unsecured
Billings	25,196,204				
Collections	25,194,005				
CARD Bank Inc.					
Due to affiliate		–		On-demand; noninterest-bearing	Unsecured
Billings	7,775				
Payment	7,775				
Due from affiliate		4,926	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	13,690				
Billings	17,715,634				
Collections	17,724,398				
Cash		6,149,453		On demand; interest at 0.25% to 1.50% for regular savings deposit and 3.50% for cash equivalents	
Deposit	140,459,939				
Withdrawal	131,416,965				
Interest Income		125,015	Interest earned on time deposits and savings account	On-demand; interest at 1.50% to 4.00%	Unsecured
Short term investment		665,948	Placement of funds on time deposits	On-demand; interest at 3.50%	Unsecured
Long term investment		3,900,000	Placement of funds on long term deposits	On-demand; interest at 4.00%	Unsecured
CARD SME					
Due to affiliate		–		On-demand; noninterest-bearing	Unsecured
Billings	11,362				
Payment	11,362				
Due from affiliate		51	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	5,124				
Billings	7,878,954				
Collections	7,884,027				
Cash		6,038,313			
Deposit	37,395,085				
Withdrawal	31,354,041				
	116,023				
Interest Income			Interest earned on time deposits and savings account	On-demand; interest at 1.50% to 3.75%	Unsecured
	3,399,087			On-demand; interest at 3.00% to 3.75%	
Short term investment			Placement of funds on time deposits		Unsecured
MIMAP					
Due from affiliate		–	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	11,836				
Billings	2,000				
Collections	13,837				
CMDI					
Due to affiliate		41,718		On-demand; noninterest-bearing	Unsecured
Beginning	508				
Billings	45,929				
Payment	4,720				



Category	Amount	Outstanding	2018		
			Nature	Terms	Conditions
Due from affiliate		₱40,176	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	₱22,268				
Billings	786,278				
Collections	768,370				
Mga Likha ni Inay (MLNI)					
Due to affiliate		7,143	Payment for MLNI products	On-demand; noninterest-bearing	Unsecured
Beginning	2,000				
Billings	7,398				
Payment	2,255				
Due from affiliate		42	Uncollected insurance premiums of employees	On-demand; noninterest-bearing	Unsecured
Beginning	1,063				
Billings	83,364				
Collections	84,385				
Rizal Bank, Inc.					
Due to affiliate		199		On-demand; noninterest-bearing	Unsecured
Beginning	–				
Billings	7,430				
Payment	7,231				
Due from affiliate		–	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	35,835				
Billings	3,565,717				
Collections	3,601,552				
Short term investment	1,327,700		Placement of funds on time deposits	On-demand; interest at 4.25%	
Cash Equivalents	2,195,953		Placement of funds on time deposits	On-demand; interest at 3.50%	Unsecured
RISE					
Due from affiliate		–	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	59,318				
Billings	69,735				
Collections	129,053				
CMIT					
Due from affiliate		–	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	1,967				
Billings	456,080				
Collections	458,047				
CLFC					
Due to affiliate		–	Payment for service rendered of Utility	On-demand; noninterest-bearing	Unsecured
Beginning	510				
Billings	136,930				
Payment	137,440				
Due from affiliate		–	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	34,479				
Billings	232,621				
Collections	267,100				
BotiCARD					
Due to affiliate		3,612	Payment for BotiCARD products	On-demand; noninterest-bearing	Unsecured
Beginning	1,871				
Billings	4,601				
Payment	2,860				
Due from affiliate		2,035	Insurance premium of BotiCARD employees	On-demand; noninterest-bearing	Unsecured
Billings	211,733				
Collections	209,698				
BDSFI					
Due to affiliate		–			
Beginning	–				
Billings	50				
Payment	50				
Due from affiliate		–	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	242				
Billings	129,921				
Collections	130,163				



Category	2018				
	Amount	Outstanding	Nature	Terms	Conditions
RMSI					
Due to affiliate		₱1,224,196	Unremitted premium for BAP	On-demand; noninterest-bearing	Unsecured
Beginning	₱784,332				
Billings	23,893,234				
Payment	23,453,370				
Due from affiliate		12,586	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	10,115				
Billings	124,355				
Collections	121,884				
Commissions receivable		37	Uncollected premium for Burial Assistance Plan (BAP)	On-demand; noninterest-bearing	Unsecured
Beginning	124,812				
Billings	128,631				
Collections	253,406				
CARD MRI Hijos					
Due to affiliate		1,393		On-demand; noninterest-bearing	Unsecured
Beginning	—				
Billings	1,393				
Payment	—				
Due from affiliate		449	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	—				
Billings	145,387				
Collections	144,938				
CARD MRI Publishing House					
Due from affiliate		314	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	—				
Billings	52,392				
Collections	52,077				
EMPC					
Due to affiliate		—			
Beginning	—				
Billings	5,231				
Payment	5,231				
Due from affiliate		—	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	87,503				
Billings	242,207				
Collections	329,710				
FDS ASYA					
Due from affiliate		208	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	—				
Billings	100,482				
Collections	100,274				
CARD MRI Property Holdings					
Due from affiliate		—	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	—				
Billings	55,924				
Collections	55,924				
CARD Myanmar					
Due from affiliate		—	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Billings	65,792				
Collections	65,792				
CARD MRI Holdings					
Due from affiliate		—	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Billings	44,132				
Collections	44,132				
Subscription payable		4,687,500	Represents payable for the shares of stock	On-demand; noninterest-bearing	Unsecured
PLI/GCLI					
Due to affiliate		531,928	Unremitted premium for PLI/GCLI Products	On-demand; noninterest-bearing	Unsecured
Beginning	844,168				
Billings	3,239,406				
Payment	3,551,646				



Category	2018				
	Amount	Outstanding	Nature	Terms	Conditions
PLI					
Due to affiliate		₱133,184	Unremitted premium for PLI/GCLI Products	On-demand; noninterest-bearing	Unsecured
Beginning	P-				
Billings	5,283,507				
Payment	5,150,322				
Due from affiliate		-	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	12,866				
Billings	21,052				
Collections	33,918				

The above outstanding balances as of December 31, 2019 and 2018 are summarized as follows:

	2019	2018
Commission receivable (Note 6)	₱29,856,592	₱13,037,773
Short-term investments (Note 5)	12,856,290	5,392,735
Cash in bank (Note 4)	8,548,200	15,187,766
Long-term investment (Note 10)	3,900,000	3,900,000
Due from related parties (Note 6)	1,812,346	1,550,579
Subscription payable (Note 13)	4,687,500	4,687,500
Due to related parties (Note 13)	(3,214,752)	(9,610,696)
Unearned income (Note 13)	2,758,481	-

16. Retirement Plan

The Company, CARD Bank, CARD Inc., CARD SME Bank, CARD MBA, CARD BDSFI, CMIT, BotiCARD, CMDI, MLNI, RBI, CLFC, RISE, CMPHI, CMHTTI, CMPuH and CARD EMPC maintain a funded and formal noncontributory defined benefit retirement plan - the CARD MRI Multi-Employer Retirement Plan (MERP) - covering all of their regular employees and CARD Group Employees' Retirement Plan (Hybrid Plan) applicable to employees hired on or after July 1, 2016. MERP is valued using the projected unit cost method and is financed solely by the CMIT and its related parties.

MERP and the Hybrid Plan comply with the requirements of RA No. 7641 (Retirement Law). MERP provides lump sum benefits equivalent to up to 120% of final salary for every year of credited service, a fraction of at least six months being considered as one whole year, upon retirement, death, total and permanent disability, or voluntary separation after completion of at least one year of service with the participating companies.

The Hybrid Plan provides a retirement benefit equal to 100% of the member's employer accumulated value (the Parent Company's contributions of 8% plan salary to Fund A plus credited earnings) and 100% of the member's employee accumulated value (member's own contributions up to 10% of plan salary to Fund B plus credited earnings), if any. Provided that in no case shall 100% of the employer accumulated value in Fund A be less than 100% of plan salary for every year of credited service.

Total retirement expense in 2019 and 2018 related to Hybrid Plan amounted to ₱1.54 million and ₱1.45 million, respectively. .



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

2019														
	Net benefit cost recognized in the statement of income						Remeasurements in other comprehensive income							
	January 1, 2019	Current service cost	Net interest	Sub Total	Benefits Paid	Transfer to/ (from) the Plan	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from experience	Changes in the effect of limiting net defined benefit asset to the asset ceiling	Subtotal	Contribution by employer	December 31, 2019
Fair value of plan assets	₱9,302,320	₱–	₱775,802	₱775,802	₱–	₱–	(₱335,349)	₱–	₱–	₱–	₱–	(₱335,349)	₱1,546,050	₱11,288,823
Present value of defined benefit obligation	(4,559,105)	(298,107)	(351,051)	(649,158)	–	–	–	(99,928)	(1,525,958)	(873,469)	–	(2,499,355)	–	(7,707,618)
Effect of asset ceiling	(1,844,209)	–	(142,005)	(142,005)	–	–	–	–	–	–	1,342,731	1,342,731	–	(643,483)
Net defined benefit asset (liability)	₱2,899,006	(₱298,107)	₱282,746	(₱15,361)	₱–	₱–	(₱335,349)	(₱99,928)	(₱1,525,958)	(₱873,469)	₱1,342,731	(₱1,491,973)	₱1,546,050	₱2,937,722
2018														
	Net benefit cost recognized in the statement of income						Remeasurements in other comprehensive income							
	January 1, 2018	Current service cost	Net interest	Sub Total	Benefits Paid	Transfer to/ (from) the Plan	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from experience	Changes in the effect of limiting net defined benefit asset to the asset ceiling	Subtotal	Contribution by employer	December 31, 2018
Fair value of plan assets	₱7,496,256	₱–	₱505,325	₱505,325	₱–	(₱1,076,752)	(₱145,607)	₱–	₱–	₱–	₱–	(₱145,607)	₱1,446,346	₱9,302,320
Present value of defined benefit obligation	(3,039,682)	(289,510)	(237,518)	(527,028)	–	1,076,752	–	14,782	1,081,745	(2,088,922)	–	(992,395)	–	(4,559,105)
Effect of asset ceiling	(1,377,678)	–	(79,492)	(79,492)	–	–	–	–	–	–	(387,039)	(387,039)	–	(1,844,209)
Net defined benefit asset (liability)	₱3,078,896	(₱289,510)	₱188,315	(₱101,195)	₱–	₱–	(₱145,607)	₱14,782	₱1,081,745	(₱2,088,922)	(₱387,039)	(₱1,525,041)	₱1,446,346	₱2,899,006



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

	2019	2018
At January 1	(P468,655)	P598,874
Remeasurement loss on defined benefit plan	(1,491,973)	(1,525,041)
Tax effect (Note 18)	447,592	457,512
At December 31	(P1,513,036)	(P468,655)

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

	2019	2018
Discount rate	5.54%	7.70%
Salary increase rate	5.00%	5.00%
Average remaining working life	24.8	26.0

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, 2019	
	Increase (decrease)	Effect on defined pension plan
Discount rate	+100 basis points	(P770,304)
	-100 basis points	906,055
Salary rate	+100 basis points	901,789
	-100 basis points	(780,820)
	December 31, 2018	
	Increase (decrease)	Effect on defined pension plan
Discount rate	+100 basis points	(P444,521)
	-100 basis points	518,703
Salary rate	+100 basis points	527,708
	-100 basis points	(459,139)

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

	2019	2018
Cash and cash equivalents	P3,844,973	P4,132,091
Debt instruments in government bonds	4,985,144	4,452,090
Debt instruments in other bonds	1,277,894	204,651
Loans receivable	930,199	—
Investment in mutual funds	56,444	—
Others	194,169	513,488
	P11,288,823	P9,302,320



The Retirement Trust Fund assets are valued by the fund manager at fair value using the mark-to-market valuation. The Company expects to contribute ₱1.55 million to the defined pension plan in 2020.

Shown below is the maturity analysis of undiscounted benefit payments:

	2019	2018
Less than one year	445,137	260,136
More than one year to five years	2,029,273	1,238,620
More than five years to ten years	3,393,376	2,149,067

The average duration of the defined benefit obligation at the end of the reporting period is 10.9 years.

17. Leases

The Company leases vehicles and office spaces. The lease contracts are for the periods ranging from one (1) to three (3) years and are renewable upon mutual agreement between the Company and the lessors such as CARD Leasing and Finance Corporation, CARD Mutual Benefit Association and third-party lessors.

Rent expense amounted to ₱0.18 million and ₱0.47 million in 2019 and 2018, respectively. Rent expense in 2019 pertains to expenses from short-term leases and leases of low-value assets.

As of December 31, 2019, and 2018, the Company has no contingent rent payable.

The movements in lease liability follows:

Balance at beginning of year	₱562,823
Additions	2,959,605
Interest expense	143,901
Payments	(1,894,550)
Balance at end of year	₱1,771,779

The following are the amounts recognized in statement of income:

	2019
Depreciation expense of ROU assets included in property and equipment	₱1,838,135
Lease payments relating to short-term leases and leases with low value assets	179,417
Interest expense on lease liabilities	143,901
Total amount recognized in statement of income	₱2,161,453



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

	2019	2018
Within one year	₱1,783,911	₱620,255
Beyond one year	389,937	203,907
	₱2,173,848	₱824,162

18. Income Tax

The Company's provision for income tax consists of:

	2019	2018
Current	₱22,651,800	₱20,599,694
Deferred	94,895	—
Final	78,344	88,348
	₱22,825,039	₱20,688,042

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

	2019	2018
Deferred tax assets recognized in profit or loss		
Unamortized past service cost	₱1,137,567	₱831,581
Unearned commission income	827,544	—
Allowance for impairment loss	86,661	86,661
Right-of-use asset, net of lease liability	6,923	—
	2,058,695	918,242
Deferred tax liabilities recognized in profit or loss:		
Pension asset	1,529,761	551,073
	1,529,761	551,073
Net deferred tax asset in profit or loss	528,934	367,169
Net deferred tax asset recognized in OCI		
Remeasurement loss on net pension liability	648,444	457,512
	₱1,177,378	₱824,681

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

	2019	2017
Statutory income tax	₱24,034,218	₱16,646,297
Add (deduct) tax effects of:		
Other nontaxable income	(1,981,966)	(1,000,505)
Interest income already subjected to final tax	(162,422)	(79,203)
Nondeductible expense	935,209	5,121,453
Provision for income tax	₱22,825,039	₱20,688,042



19. Commitments and Contingent Liabilities

There were no commitments, guarantees and contingent liabilities that arose in the normal course of the Company's operations which are not reflected in the Company's financial statements. As of December 31, 2019 and 2018, management is of the opinion that losses, if any, from these commitments, guarantees and contingent liabilities will not have a material effect on the Company's financial statements.

20. Capital and Financial Risk Management Objectives and Policies

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Governance Framework

The Company manages the risks through its 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.

Credit Risk

The Company manages its credit risk by constantly monitoring its credit exposure to counterparties.

Maximum exposure to credit risk

The maximum exposure of the Company's financial instruments is equivalent to the carrying values as reflected in the statements of financial position and related notes. The Company holds no collateral and other credit enhancements against its credit risk exposure as at December 31, 2019 and 2018.

Concentration of credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Company's financial assets are concentrated to financial intermediaries.

Credit quality per class of financial assets

The Company's financial instruments are with reputable financial institutions and related parties and are deemed to be standard grade. Standard grade is rated on entities that meet performance expectation, unlikely to be affected by external factors and have competent management that uses current business models.



As at December 31, 2019 and 2018, the Company's past due and impaired receivables amounted to nil and ₱1.30 million, respectively.

Liquidity Risk

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

The tables below summarize the maturity profile of the financial instruments of the Company based on contractual undiscounted cash flow as at December 31, 2019 and 2018:

	2019					Total
	On demand	Due within 1 month	1 to 3 months	3 to 12 months	Beyond 1 year	
Financial Assets*						
Cash and cash equivalents**	₱22,109,962	₱—	₱—	₱—	₱—	₱22,109,962
Short-term investments	—	3,662,489	687,047	8,577,090	—	12,926,626
Loans and receivables	28,227,137	9,074,997	—	—	—	37,302,134
Security deposits***	—	—	10,858	648,769	7,849	667,476
Financial assets at FVOCI	—	—	—	—	66,286,770	66,286,770
Long-term investment	—	—	—	—	4,239,300	4,239,300
Total financial assets	116,623,869	12,737,486	697,905	9,225,859	71,924,835	143,532,268
Financial Liabilities						
Trade and other payables	₱27,264,299	₱9,037,017	₱—	₱—	₱—	₱36,301,316
Total financial liabilities	27,264,299	9,037,017	—	—	—	36,301,316
Net undiscounted cash flows	₱23,072,800	₱2,309,552	₱697,905	₱9,225,859	₱71,924,835	₱107,230,952

*Amounts includes accrued interests

**Excludes cash on hand

***Included in 'Other assets'

	2018					Total
	On demand	Due within 1 month	1 to 3 months	3 to 12 months	Beyond 1 year	
Financial Assets*						
Cash and cash equivalents**	₱31,597,818	₱—	₱—	₱—	₱—	₱31,597,818
Short-term investments	—	—	665,948	4,726,787	—	5,392,735
Loans and receivables	15,425,220	—	—	—	—	15,425,220
Security deposits***	354,157	—	—	—	—	354,157
Financial assets at FVOCI	—	—	—	—	51,418,174	51,418,174
Long-term investment	—	—	—	—	3,900,000	3,900,000
Total financial assets	47,377,195	—	665,948	4,726,787	55,318,174	108,088,104
Financial Liabilities						
Trade and other payables	₱36,499,023	₱—	₱—	₱—	₱—	₱36,499,023
Total financial liabilities	36,499,023	—	—	—	—	36,499,023
Net undiscounted cash flows	₱10,878,172	₱—	₱665,948	₱4,726,787	₱55,318,174	₱71,589,081

*Amounts includes accrued interests

**Excludes cash on hand

***Included in 'Other assets'

Market Risk

Market risk is the risk of loss of future earnings, of fair value or future cash flows of a financial instrument will fluctuate due to changes in market variables such as interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes.



Aside from the discussion below, the Company has no significant exposure to market risk as at December 31, 2019 and 2018.

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 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

Fair values of the Association's investment properties have been determined based on valuations performed by independent external appraisers based on the recent sales of similar properties in the same areas where the investment properties are located, taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued. The fair value of investment properties is based on its highest and best use, which is their current use.

The following table shows the fair value hierarchy of the Company's financial assets at fair value through OCI and investment properties as at December 31, 2019.

	2019			
	Quoted Price in Active Markets	Significant Observable Inputs	Significant Unobservable Inputs	Total
<i>Assets for which fair value is disclosed:</i>				
Financial Asset through OCI	₪—	₪—	₪66,286,770	₪66,286,770
Investment properties	—	—	11,718,396	11,718,396
	₪—	₪—	₪63,136,570	₪63,136,570



Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions

Starting in 2018, the Company determined the fair value of its FVOCI financial assets using the dividend the capital asset pricing model. This method is based on inputs other than quoted prices that are observable for the asset such as equity value derived from expected return from investments.

The assumptions above were used in the “Base Case” projections. These assumptions were individually changed (while holding other assumptions steady as in the Base Case) and the resulting valuations derived, to show sensitivity of the valuation to various changes in assumptions.

Significant Unobservable Input	Movement in basis points	Increase (decrease) in fair value 2019
Equity value	+500 basis points	₱3,156,230
	-500 basis points	(₱3,156,230)

Significant Unobservable Input	Movement in basis points	Increase (decrease) in fair value 2018
Equity value	+500 basis points	₱864,130
	-500 basis points	(₱849,131)

21. Agency 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 ₱109.20 million and ₱93.76 million in 2019 and 2018, respectively.

22. Notes to Statements of Cash Flows

The Company’s noncash activity pertains to additions to ROU assets amounting to ₱3.00 million as of December 31, 2019.



23. Subsequent Events

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 30, 2020, unless earlier lifted or extended. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Company considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Company cannot determine at this time the impact to its financial position, performance and cash flows.

24. Approval of the Financial Statements

The accompanying financial statements were authorized for issue by the Company's BOD on April 30, 2020.

25. Supplementary Information Required Under Revenue Regulations 15-2010

The Company reported and/or paid the following types of taxes in 2019:

a. Value added tax (VAT)

Input VAT

At January 1	₱711,257
Additional	1,592,630
Utilized	(2,106,278)
At December 31	₱197,609

During the year, the Company declared Output VAT amounting to ₱11.31 million 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 lodged under the caption 'Taxes and Licenses' under the 'Expenses' section in the Company's statement of comprehensive income.

Local

Business permits	₱43,258
Documentary stamp tax	110,000
Real property tax	15,209
LTO Registration	6,220
Others	17,936
	<u>₱192,623</u>

National

SEC Articles of Incorporation Amendment	₱-
BIR Registration fee	500
	<u>500</u>
	<u>₱193,123</u>

d. Withholding Taxes

Details of withholding taxes follow:

	Total Remittances	Amount Outstanding
Withholding tax on compensation and benefits	₱370,607	₱149,775
Expanded withholding taxes	511,482	129,085
	<u>₱882,089</u>	<u>₱278,859</u>

e. Tax Assessments and Cases

In 2019, the Company received a Letter of Authority (LOA) from BIR to examine their books of accounts and other accounting records for all internal revenue taxes for the year ended December 31, 2018. As of April 30, 2020, the examination is still on-going.

