CARD MRI Insurance Agency, Inc.

Financial Statements
December 31, 2020 and 2019

and

Independent Auditor's Report

SGV

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SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
CARD MRI Insurance Agency, Inc.

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, 2020 and 2019, 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, 2020 and 2019, 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 Company 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.

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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. 8534220, January 4, 2021, Makati City

March 31, 2021

CARD MRI INSURANCE AGENCY, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents (Note 4)	**₱7,532,305**	₱22,301,175
Short-term investment (Note 5)	**2,333,964**	12,856,290
Loans and receivables (Note 6)	**16,055,137**	33,755,385
Other assets (Note 7)	**3,614,601**	3,395,616
	29,536,007	72,308,466
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (FVOCI) (Note 8)	**61,940,354**	66,286,770
Investment in associates - net (Note 9)	**–**	1,827,620
Long-term investment (Note 10)	**3,900,000**	3,900,000
Property and equipment (Note 11)	**2,482,614**	1,997,964
Investment properties (Note 12)	**6,987,858**	7,176,450
Deferred tax assets (Note 18)	**780,363**	1,177,378
Pension asset - net (Note 16)	**2,498,940**	2,937,722
	78,590,129	85,303,904
	₱108,126,136	₱157,612,370
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 13)	**₱17,047,788**	₱33,287,089
Income tax payable (Note 18)	**4,400,707**	2,495,796
	21,448,495	35,782,885
Equity		
Capital stock (Note 14)	**50,000,000**	50,000,000
Retained earnings (Note 14)	**61,372,717**	77,667,840
Remeasurement loss on defined benefit plan (Note 16)	**(1,635,685)**	(1,513,036)
Unrealized loss on financial asset at FVOCI (Note 8)	**(23,059,391)**	(4,325,319)
	86,677,641	121,829,485
	₱108,126,136	₱157,612,370

See accompanying Notes to Financial Statements.

CARD MRI INSURANCE AGENCY, INC.
STATEMENTS OF INCOME

	Years Ended December 31	
	2020	2019
REVENUE		
Commission income (Note 21)	**₱86,485,065**	₱109,201,224
Dividend income	**3,360,964**	5,803,700
Administration fee	**1,333,905**	2,143,004
Interest income (Notes 4, 5, 7 and 10)	**728,693**	837,222
Other income (Note 12)	**2,068,844**	1,088,987
	93,977,471	119,074,137
EXPENSES		
Salaries and allowances	**9,232,594**	10,569,821
Transportation and travel	**5,371,541**	7,124,966
Taxes and licenses	**3,608,216**	193,123
Program monitoring and evaluation	**3,450,615**	3,968,702
Provision for impairment losses (Notes 6 and 9)	**3,264,463**	–
Professional fees	**2,760,898**	2,316,988
Depreciation (Notes 7, 11 and 12)	**2,243,750**	2,260,344
Information technology expense	**2,053,396**	1,876,026
Security and janitorial	**1,012,117**	1,368,976
Training and development	**855,183**	3,246,642
Repairs and maintenance	**685,744**	595,794
Insurance	**541,783**	806,967
Supplies	**478,844**	1,027,928
Pension expense (Note 16)	**340,912**	15,361
Communication and postage	**287,597**	361,462
Interest expense (Note 17)	**160,370**	143,901
Advertising and promotion	**150,076**	1,521,429
Representation and entertainment	**130,275**	298,499
Rent (Note 17)	**69,996**	179,417
Light and water	**63,118**	147,293
Donations	–	118,160
Other expenses	**176,574**	141,787
	36,938,062	38,283,586
INCOME BEFORE SHARE IN NET LOSS OF ASSOCIATE	**57,039,409**	80,790,551
SHARE IN NET LOSS OF ASSOCIATE (Note 9)	–	(676,492)
INCOME BEFORE INCOME TAX	**57,039,409**	80,114,059
PROVISION FOR TAX (Note 18)	**18,334,532**	22,825,039
NET INCOME	**₱38,704,877**	₱57,289,020

See accompanying Notes to Financial Statements.

CARD MRI INSURANCE AGENCY, INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2020	2019
NET INCOME	**₱38,704,877**	₱57,289,020
OTHER COMPREHENSIVE INCOME		
Items that will be reclassified to profit or loss in subsequent periods:		
Unrealized gain on financial asset at fair value through other comprehensive income (Note 8)	**(18,734,072)**	1,049,575
Items that will not to be reclassified to profit or loss in subsequent periods:		
Remeasurement loss on defined benefit plan - net of tax (Note 16)	**(122,649)**	(1,044,381)
	(18,856,721)	5,194
TOTAL COMPREHENSIVE INCOME	**₱19,848,156**	₱57,294,214

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, 2020	**₱50,000,000**	**₱77,667,840**	**(₱1,513,036)**	**(₱4,325,319)**	**₱121,829,485**
Dividends (Note 14)	**–**	**(55,000,000)**	**–**	**–**	**(55,000,000)**
Total comprehensive income					
Net income	**–**	**38,704,877**	**–**	**–**	**38,704,877**
Other comprehensive income	**–**	**–**	**(122,649)**	**(18,734,072)**	**(18,856,721)**
At December 31, 2020	**₱50,000,000**	**₱61,372,717**	**(₱1,635,685)**	**(₱23,059,391)**	**₱86,677,641**
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

See accompanying Notes to Financial Statements

CARD MRI INSURANCE AGENCY, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱57,039,409**	₱80,114,059
Adjustments for:		
Provision for impairment losses (Notes 6 and 9)	**3,264,463**	–
Depreciation (Notes 7, 11 and 12)	**2,243,750**	2,260,344
Write-off of receivables and other assets (Notes 6 and 7)	**(1,188,637)**	–
Interest income (Notes 4, 5, 7 and 10)	**(728,693)**	(837,222)
Retirement expense (Note 16)	**340,912**	15,361
Interest expense (Note 17)	**160,370**	143,901
Other income on pre-termination of lease contract	**(27,126)**	–
Gain on sale of investment property (Note 12)	–	(802,854)
Share in net loss of associate (Note 9)	–	676,492
Loss on disposal of property and equipment (Note 11)	–	536
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Loans and receivables	**19,291,014**	(18,028,341)
Short-term investments	**10,522,326**	(7,463,555)
Other current assets	**885,724**	(2,772,661)
Decrease in trade and other payables	**(16,457,480)**	(2,767,762)
Net cash flows generated from operations	**75,346,032**	50,538,298
Income tax paid	**(15,980,042)**	(22,954,813)
Contributions made to the retirement fund (Note 16)	**(77,343)**	(1,546,050)
Interest received	**585,921**	500,728
Net cash flows provided by operating activities	**59,874,568**	26,538,163
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Financial assets at FVOCI (Note 8)	**(17,193,317)**	(13,819,021)
Property and equipment excluding right-of-use assets (Note 11)	**(197,382)**	(284,866)
Proceeds from disposal of investment property (Note 12)	–	4,698,200
Net cash flows used in investing activities	**(17,390,699)**	(9,405,687)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid (Note 14)	**(55,000,000)**	(24,622,360)
Payment of lease liabilities (Note 17)	**(2,252,739)**	(1,894,550)
Net cash flows used in financing activities	**(57,252,739)**	(26,516,910)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**(14,768,870)**	(9,384,434)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**22,301,175**	31,685,609
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱7,532,305**	₱22,301,175

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

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 adoption of new standards effective as at January 1, 2020. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Company.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
  The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*
  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment. The amendments had no impact on the financial statements of the Company.

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*
- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

Significant Accounting Polices

<u>Fair Value Measurement</u>
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
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a) Financial assets
Initial recognition and measurement
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 as determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, 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. Financial assets with cash flows which are not SPPI are generally classified and measured at fair value through profit or loss, irrespective of the business model.

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. Financial assets classified and measured at amortized cost are held within a business model that holds financial assets to collect contractual cash flows. Those classified and measured at FVOCI are held within a business model that holds financial assets both to collect contractual cash flows and sell the financial assets.

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
- Financial assets at FVTPL.

The Company does not have debt instruments at FVOCI and financial assets at FVTPL.

Financial assets at amortized cost (debt instruments)
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', 'Loans and receivables', 'Long-term investments' and security deposits recorded in 'Other assets'.

Financial assets at FVOCI (equity instruments)
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 investments in unquoted equity instruments under this category.

Reclassification
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
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the statement of financial position) when:

- the rights to receive cash flows from the asset have expired; 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.

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 a 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.

b) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Financial liabilities are contractual arrangements that result in the Company having an obligation either to deliver cash or another financial asset to the holder.

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 FVTPL
- Financial liabilities at amortized cost (payables)

The Company does not have financial liabilities at FVTPL, loans and borrowings and derivatives designated as hedging instruments in an effective hedge.

Financial liabilities at amortized cost (payables)

This pertains to financial liabilities which are not designated at FVTPL upon inception of the liability. This category applies to the Company's trade payables, accrued expenses and other payables presented as 'Trade and other payables' in the statement of financial position.

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.

Derecognition

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.

c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of solvency or bankruptcy of the Company and all of the counterparties.

<u>Investment Properties</u>

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 were 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 follows:

	Years
Transportation equipment	7
Computer and office equipment	5
Office furniture and fixtures	3

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

The 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.

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.

Expense Recognition

Expenses are 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 the statement of income 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, 2021
- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

Effective beginning on or after January 1, 2022
- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- Annual Improvements to PFRSs 2018 – 2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, Agriculture, *Taxation in fair value measurements*

Effective beginning on or after January 1, 2023
- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- 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*

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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 20.

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 are 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, 2020 and 2019, the Company's lease liability amounted to ₱1.89 million and ₱1.77 million, respectively (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, 2020 and 2019, the Company recognized deferred tax assets amounting to ₱0.78 million and ₱1.18 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 sate. The present value of the retirement liability of the Company is disclosed in Note 16.

4. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand	**₱52,822**	₱191,213
Cash in banks (Note 15)	**7,479,483**	22,109,962
	₱7,532,305	₱22,301,175

Cash in banks earn interest that ranged from 0.05% to 1.50% and 0.25% to 1.50% in 2020 and 2019, respectively. Interest income earned from cash in banks amounted to ₱0.16 million and ₱0.19 million in 2020 and 2019, respectively.

5. Short-term Investments

Short-term investments are time deposit placements in CARD 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 2020 and 2019.

The rollforward analysis of short-term investments follows:

	2020	2019
At January 1	**₱12,856,290**	₱5,392,735
Additions	**5,308,321**	7,463,555
Withdrawals	**(15,830,647)**	–
At December 31	**₱2,333,964**	₱12,856,290

Interest income earned from short-term investments amounted to ₱0.36 million and ₱0.27 million in 2020 and in 2019, respectively.

6. Loans and Receivables

This account consists of:

	2020	2019
Accounts receivable:		
Related parties (Note 15)	**₱93,565**	₱1,812,346
Others	**3,542,846**	1,965,681
Commissions receivable		
Related parties (Note 15)	**13,512,854**	29,856,592
Interest receivable	**504,932**	409,636
	17,654,197	34,044,255
Allowance for impairment losses	**(1,599,060)**	(288,870)
	₱16,055,137	₱33,755,385

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 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, Traditional plan, CARD Care and DAKILA).

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:

	2020	2019
At January 1	**₱288,870**	₱288,870
Provision	**1,436,843**	–
Write-off	**(126,653)**	–
At December 31	**₱1,599,060**	₱288,870

In 2020, the Company wrote-off receivables amounting to ₱0.13 million that management assessed to be no longer recoverable. These receivables were fully provided with allowance in previous periods.

7. **Other Assets**

This account consists of:

	2020	2019
Financial Asset		
Security deposit	**₱683,578**	₱640,082
	683,578	640,082
Nonfinancial Asset		
Creditable withholding taxes (CWTs)	**3,015,573**	4,221,983
Prepaid expense	**453,917**	123,831
Input VAT	**142,568**	197,609
Supplies inventory	**115,939**	71,069
	3,727,997	4,614,491
	4,411,575	5,234,573
Allowance for impairment losses	**(796,974)**	(1,858,957)
	₱3,614,601	₱3,395,616

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.

In 2020, the Company wrote-off certain creditable withholding taxes that were no longer claimable as of reporting date amounting to ₱1.06 million. The related allowance was recognized before 2020.

In December 2020 and 2019, the Company recognized interest income on the amortization of security deposits amounting to ₱0.05 million and ₱0.04 million, respectively.

A portion of the consumption of supplies used for computer equipment amounting to ₱4.75 thousand is recorded under 'Depreciation' in the statement of income in 2020.

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

The rollforward analysis of this account follows:

	2020	2019
Balance at January 1	**₱66,286,770**	₱51,418,174
Additions	**17,193,317**	13,819,021
Unrealized gain (loss)	**(18,843,646)**	1,049,575
Reclassification (Note 9)	**(2,696,087)**	–
	₱61,940,354	₱66,286,770

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

	2020	2019
Balance at January 1	**(₱4,325,319)**	(₱5,374,894)
Fair value gain (loss) recognized in OCI	**(18,734,072)**	1,049,575
Balance at December 31	**(₱23,059,391)**	(₱4,325,319)

Details of unquoted equity securities follows:

	2020			2019		
	Amount	**Shares**	**Percentage of ownership**	Amount	Shares	Percentage of ownership
CARD Pioneer Microinsurance, Inc. (CPMI)	**₱28,504,495**	**146,079**	**2.90%**	₱31,552,848	146,079	2.90%
CARD Bank, Inc. (CBI)	**14,710,333**	**57,604**	**1.00%**	14,373,479	45,000	1.00%
Rizal Bank, Inc. (RBI)	**11,734,800**	**61,600**	**11.00%**	13,368,273	55,000	11.00%
CARD MRI Property Management, Inc. (CMPMI)	**2,408,407**	**296,237**	**10.00%**	1,662,175	226,237	10.00%
CARD MRI Holdings, Inc. (CMHI)	**2,085,781**	**15,625**	**5.00%**	2,054,248	15,265	5.00%
RIMANSI Mutual Solutions Insurance Agency, Inc. (RMSI)	**1,698,035**	**30,000**	**12.30%**	1,500,000	30,000	12.30%
CARD SME Bank, Inc. (CSME)	**798,503**	**42,325**	**0.04%**	–	–	–
ASENSO Tech PTE Ltd. (ASENSO)	**–**	**–**	**0.00%**	1,775,747	36,000	9.00%
	₱61,940,354			₱66,286,770		

In 2019, the Company acquired 55,000 preferred shares from RBI amounting to ₱11.00 million and 36,000 preferred shares from ASENSO amounting to ₱1.89 million. The Company entered into an agreement with ASENSO in 2020 for the return of the original amount it invested in ASENSO.

In 2020, the Company acquired additional common shares from CMPMI amounting to ₱7.00 million, 17,108 preferred shares from CBI amounting to ₱1.71 million, and 6,600 preferred shares from RBI amounting to ₱1.32 million. On October 15, 2020, the Company acquired 42,325 shares from CSME amounting to ₱6.24 million.

9. Investment in Associates

This account consists of an investment with the following movements:

	2020	2019
Acquisition cost at beginning and end of year	**₱2,849,152**	₱2,849,152
Accumulated equity in net losses		
Balance at January 1	**(1,021,532)**	(345,040)
Current year share in net losses	**–**	(676,492)
Balance at December 31	**(1,021,532)**	(1,021,532)
Accumulated impairment losses		
Balance at January 1	**–**	–
Current year provision for impairment loss	**(1,827,620)**	–
Balance at December 31	**(1,827,620)**	–
	₱–	₱1,827,620

As of December 31, 2020 and 2019, the Company holds significant influence over MEADA Rabrong, Plc. (MEADA) due to its representation in 18.73% of the board seats of MEADA. However, MEADA experienced operational difficulties in 2020 that led to a material uncertainty to continue as a going concern. The Company assessed that the investment is already impaired and provided 100% allowance on the carrying amount of the investment.

10. Long-term Investment

As of December 31, 2020 and 2019, 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 4.00%. If withdrawn before maturity, this earns interest based on the prevailing interest rate of CARD Bank, Inc. for regular deposits. Interest income earned from these investments amounted to ₱0.16 million and ₱0.34 million in 2020 and 2019, respectively.

11. Property and Equipment

The rollforward analysis of this account follows:

	2020				
	Computer and office equipment	**Office furniture and fixture**	**Transportation equipment**	**Right-of-use assets** (Note 17)	**Total**
Cost					
Balance at January 1	**₱1,394,853**	**₱95,750**	**₱856,000**	**₱3,586,838**	**₱5,933,441**
Additions	**87,814**	**109,568**	**–**	**3,014,340**	**3,211,722**
Disposal	**(234,123)**	**(34,000)**	**–**	**(3,586,838)**	**(3,854,961)**
Balance at December 31	**1,248,544**	**171,318**	**856,000**	**3,014,340**	**5,290,202**
Accumulated Depreciation					
Balance at January 1	**1,148,373**	**92,970**	**855,999**	**1,838,135**	**3,935,477**
Depreciation	**75,051**	**36,257**	**–**	**1,939,098**	**2,050,406**
Disposal	**(234,123)**	**(34,000)**	**–**	**(2,910,172)**	**(3,178,295)**
Balance at December 31	**989,301**	**95,227**	**855,999**	**867,061**	**2,807,588**
Net Book Value	**₱259,243**	**₱76,091**	**₱1**	**₱2,147,279**	**₱2,482,614**

	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)
Reclassifications	1,394,853	95,750	856,000	3,586,838	5,933,441
Balance at December 31					
Accumulated Depreciation	1,453,602	208,358	855,999	–	2,517,959
Balance at January 1	79,242	19,667	–	1,838,135	1,937,044
Depreciation	(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

The cost of fully depreciated property and equipment still in active use amounted to ₱1.78 million and ₱1.97 million as of December 31, 2020 and 2019, 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:

		2020	
	Land	**Building**	**Total**
Cost			
At beginning and end of year	**₱5,075,000**	**₱3,233,000**	**₱8,308,000**
Accumulated Depreciation			
At January 1	–	**1,131,550**	**1,131,550**
Depreciation	–	**188,592**	**188,592**
At December 31	–	**1,320,142**	**1,320,142**
Net Book Value	**₱5,075,000**	**₱1,912,858**	**₱6,987,858**

		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

On February 2019, the Company sold one of its land properties located at Silang, Cavite at ₱4.7 million with a cost of ₱3.90 million, resulting in a gain amounting to ₱0.8 million.

As at December 31, 2020 and 2019, no investment property has been pledged as collateral or security for any of the Company’s liabilities.

As of December 31, 2020 and 2019, all investment properties of the Company generate income. Rental income on investment properties (included under ‘Other income’ in the statements of income) in 2020 and 2019 amounted to ₱0.25 million.

Direct operating expenses on investment properties in 2020 and 2019 included under ‘Depreciation’ and ‘Taxes and licenses’ in the statements of income amounted to ₱0.20 million and ₱0.34 million, respectively.

13. Trade and Other Payables

This account consists of:

	2020	2019
Financial Liabilities		
Subscription payable (Note 15)	**₱4,687,500**	₱4,687,500
Accrued expenses and provisions (Note 19)	**2,473,203**	4,956,587
Scholarship fund	**867,882**	981,882
Trade payables to related parties (Note 15)	**778,380**	3,214,752
Accounts payable (AP) - Security Fund	**717,924**	638,399
AP - Others	**378,787**	5,735,896
Unearned income (Note 15)	–	2,758,481
AP - Others Travel	–	156,132
Others	**68,518**	440,104
	9,972,194	23,569,733
Nonfinancial Liabilities		
Due to government agencies	**5,186,998**	2,545,004
Finance lease payable (Note 17)	**1,888,596**	1,771,779
Accrued expenses and provisions	–	5,400,573
	7,075,594	9,717,356
	₱17,047,788	₱33,287,089

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

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 ₱0.87 million and ₱0.98 million as of December 31, 2020 and 2019, 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.

Other payables consist of unearned rental income.

14. Equity

Capital Stock
The roll forward analysis are as follows:

	2020		2019	
	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**	100,000	50,000,000
Issued stocks for the year	–	–	–	–
At the end of the year	**100,000**	**₱50,000,000**	100,000	₱50,000,000

Retained Earnings

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

	2020		2019	
Date of approval				
Date of declaration	**February 28**	**August 31**	September 28	April 30
Date of payment	**March 11**	**October 14**	October 15	May 14
Number of stockholders as of dividend declaration	**35**	**35**	35	35
Dividend per share	**₱250.00**	**₱300.00**	₱100.00	₱150.00
Total amount	**₱25,000,000**	**₱30,000,000**	₱10,000,000	₱15,000,000
Dividends paid	**₱25,000,000**	**₱30,000,000**	₱10,000,000	₱15,000,000

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:

	2020				
Category	Amount	Outstanding	Nature	Terms	Conditions
Affiliates					
CPMI					
Due to affiliate		**₱5,919**	Unremitted premium for CPMI products	On-demand; noninterest-bearing	Unsecured
Beginning	**₱163,836**				
Billings	**3,897,506**				
Payment	**4,055,423**				
Due from affiliate		**81,246**	Expenses during CPMI Related Activities	On-demand; noninterest-bearing	Unsecured
Beginning	**177,401**				
Billings	**289,432**				
Collections	**385,587**				
Commissions receivable		**12,902,557**	Uncollected Commission, Traditional Insurances, CCAP & BINHI	On-demand; noninterest-bearing	Unsecured
Beginning	**29,570,865**				
Billings	**82,116,332**				
Collections	**98,784,639**				
CARD MBA					
Due to affiliate		**81,942**	Payment for expenses during CaMIA related activities and DAKILA Claim	On-demand; noninterest-bearing	Unsecured
Beginning	**565,119**				
Billings	**2,213,018**				
Payment	**2,696,195**				
Due from affiliate		**4,150**	Unremitted premium of CARD MBA employees	On-demand; noninterest-bearing	Unsecured
Beginning	**1,338,860**				
Billings	**2,128,166**				
Collections	**3,462,875**				
CARD, Inc.					
Due to affiliate		**214,853**	Payment for service rendered of Utility	On-demand; noninterest-bearing	Unsecured
Beginning	**458**				
Billings	**15,569,261**				
Payment	**15,354,866**				
Due from affiliate		**–**	Insurance Premium of CARD Inc. Employees	On-demand; noninterest-bearing	Unsecured
Beginning	**46,281**				
Billings	**5,852,797**				
Collections	**5,899,078**				
CARD Bank Inc.					
Due to affiliate		**–**	Payment for various transactions	On-demand; noninterest-bearing	Unsecured
Billings	**3,778,055**				
Payment	**3,778,055**				
Due from affiliate		**–**	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Billings	**5,042,383**				
Collections	**5,042,383**				
Cash		**2,811,070**	Various transactions	On demand; interest at 0.25% to 1.50% for regular savings deposit and 3.50% for cash equivalents	
Beginning	**6,657,294**				
Deposit	**107,633,144**				
Withdrawals	**111,479,368**				
Interest Income		**67,261**	Interest earned on time deposits and savings account	On-demand; interest at 1.50% to 4.00%	Unsecured
Short term investment		**–**	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 deposit	On-demand; interest at 4.00%	Unsecured
CARD SME					
Due to affiliate		**–**			
Beginning	**6,437**				
Billings	**246,510**			On-demand; noninterest-bearing	Unsecured
Payment	**252,947**				
Due from affiliate		**–**	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	**199**				
Billings	**2,434,080**				
Collections	**2,434,279**				

(Forward)

Category	Amount	Outstanding	Nature	Terms	Conditions
			2020		
Cash		**₱1,883,449**	Various transactions		
Beginning	**₱1,890,906**				
Deposit	**31,395,919**				
Withdrawal	**31,403,377**				
Interest Income		**29,335**	Interest earned on time deposits and savings account	On-demand; interest at 1.50% to 3.75%	Unsecured
Short term investment		**–**	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	**–**				
Billings	**91,308**				
Payment	**91,308**				
Due from affiliate		**–**	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	**19,340**				
Billings	**267,617**				
Collections	**286,957**				
Mga Likha ni Inay (MLNI)					
Due to affiliate		**–**	Payment for MLNI products	On-demand; noninterest-bearing	Unsecured
Beginning	**21,740**				
Billings	**96,317**				
Payment	**118,057**				
Due from affiliate		**–**	Uncollected insurance premiums of employees	On-demand; noninterest-bearing	Unsecured
Beginning	**10**				
Billings	**98,422**				
Collections	**98,432**				
Rizal Bank, Inc.					
Due to affiliate		**–**	Various transactions	On-demand; noninterest-bearing	Unsecured
Beginning	**–**				
Billings	**1,344,007**				
Payment	**1,344,007**				
Due from affiliate		**–**	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	**12,044**				
Billings	**1,554,802**				
Collections	**1,566,846**				
Short term investment		**2,333,964**	Placement of funds on time deposits	On-demand; interest at 3.50% to 4.25%	Unsecured
RISE					
Due from affiliate		**–**	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	**57,214**				
Billings	**86,128**				
Collections	**143,342**				
CMIT					
Due to affiliate		**–**		On-demand; noninterest-bearing	Unsecured
Beginning	**–**		Payment for services rendered		
Billings	**4,094,434**				
Payments	**4,094,434**				
Due from affiliate		**–**	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	**138**				
Billings	**203,346**				
Collections	**203,484**				
CLFC					
Due to affiliate		**24,445**	Payment for service rendered of Utility	On-demand; noninterest-bearing	Unsecured
Beginning	**2,850**				
Billings	**2,880,630**				
Payment	**2,859,035**				
Due from affiliate		**–**	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	**–**				
Billings	**153,022**				
Collections	**153,022**				

(Forward)

	2020				
Category	**Amount**	**Outstanding**	**Nature**	**Terms**	**Conditions**
BotiCARD					
Due to affiliate		₱–	Payment for BotiCARD products	On-demand; noninterest-bearing	Unsecured
Beginning	–				
Billings	**₱78,543**				
Payment	**78,543**				
Due from affiliate		–	Insurance premium of BotiCARD employees	On-demand; noninterest-bearing	Unsecured
Beginning	–				
Billings	**117,382**				
Collections	**117,382**				
BDSFI					
Due to affiliate		–	Various transactions		
Beginning	–				
Billings	**1,147,562**				
Payment	**1,147,562**				
Due from affiliate		–	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	–				
Billings	**118,811**				
Collections	**118,811**				
RMSI					
Due to affiliate		**163,385**	Unremitted premium for DAKILA	On-demand; noninterest-bearing	Unsecured
Beginning	**1,509,191**				
Billings	**11,858,231**				
Payment	**13,203,037**				
Due from affiliate		**2,296**	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	**2,747**				
Billings	**78,407**				
Collections	**78,858**				
Commissions receivable		**382,442**	Uncollected premium for DAKILA	On-demand; noninterest-bearing	Unsecured
Beginning	**127,428**				
Billings	**2,561,376**				
Collections	**2,306,362**				
CARD MRI Hijos					
Due to affiliate		–	Various transactions	On-demand; noninterest-bearing	Unsecured
Beginning	–				
Billings	**13,038**				
Payment	**13,038**				
Due from affiliate		–	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	–				
Billings	**91,939**				
Collections	**91,939**				
CARD MRI Publishing House					
Due to affiliate		–	Payment for various transactions	On-demand; noninterest-bearing; Unsecured	
Beginning	**923**				
Billings	**98,919**				
Payment	**99,843**				
Due from affiliate		–	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	–				
Billings	**83,657**				
Collections	**83,657**				
EMPC					
Due to affiliate		**4,710**	Various transactions		
Beginning	–				
Billings	**4,650,982**				
Payment	**4,646,272**				
Due from affiliate		–	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	–				
Billings	**160,481**				
Collections	**160,481**				
FDS ASYA					
Due to affiliate		–	Payment for various transactions	On-demand; noninterest-bearing;	Unsecured
Beginning	**4,506**				
Billings	–				
Payment	**4,506**				

(Forward)

	2020				
Category	Amount	Outstanding	Nature	Terms	Conditions
Due from affiliate		₱–	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	₱–				
Billings	82,731				
Collections	82,731				
CARD MRI Property Holdings					
Due to affiliate		–	Payment for various transactions	On-demand; noninterest-bearing; Unsecured	
Beginning	1,244				
Billings	7,073,430				
Payment	7,074,674				
Due from affiliate		–	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Billings	93,824				
Collections	93,824				
CARD Myanmar					
Due from affiliate		–	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Billings	73,949				
Collections	73,949				
CARD MRI Holdings					
Due from affiliate		–	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Billings	73,889				
Collections	73,889				
Subscription payable		4,687,500	Represents payable for the shares of stock	On-demand; noninterest-bearing	Unsecured
PLI/GCLI					
Due to affiliate		282,126	Unremitted premium for PLI/GCLI Products	On-demand; noninterest-bearing	Unsecured
Beginning	938,448				
Billings	9,584,525				
Payment	10,240,847				
PLI					
Due from affiliate		4,776	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	14,928				
Billings	12,097				
Collections	22,249				
ASENSO					
Due from affiliate		2,805,660	Uncollected insurance premium of employees and receivable for return of invested funds	On-demand; noninterest-bearing	Unsecured
Beginning	52,972				
Billings	2,989,479				
Collection	236,791				
Astro Laboratories					
Due from affiliate		–	Uncollected insurance premium of employees	On-demand; non-interest bearing	Unsecured
Beginning	56,993				
Billings	99,558				
Collection	156,522				
Due to affiliate		–	Payments for services rendered	On-demand; non-interest bearing	Unsecured
Billings	7,143				
Payments	7,143				
CARD Microfinance Inc.					
Due from affiliate		–	Payment for premiums	On-demand; non-interest bearing	Unsecured
Billings	72,663				
Collections	72,663				

	2019				
Category	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		29,570,865	Uncollected Commission, Traditional Insurances, CCAP & BINHI	On-demand; noninterest-bearing	Unsecured
Beginning	1,060,563				
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				
Withdrawal	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				On-demand; noninterest-bearing	Unsecured
Billings	11,965				
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				

(Forward)

	2019				
Category	Amount	Outstanding	Nature	Terms	Conditions
Cash		₱1,890,906			
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		–		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 4.25%	
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				

(Forward)

Category	Amount	Outstanding	Nature	Terms	Conditions
	2019				
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		–			
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 BAP	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 Burial Assistance Plan (BAP)	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	
Beginning	–				
Billings	923				
Payments	–				
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		–			
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	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	–				
Billings	4,506				
Payments	–				
Due from affiliate		–	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	208				
Billings	55,682				
Collections	55,890				

	2019				
Category	Amount	Outstanding	Nature	Terms	Conditions
CARD MRI Property Holdings					
Due to affiliate		1,244	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
Beginning	–				
Billings	1,244				
Payments	–				
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
Billings	48,837				
Collections	48,837				
CARD MRI Holdings					
Due from affiliate		–	Uncollected insurance premium of employees	On-demand; noninterest-bearing	Unsecured
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				
PLI					
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; noninterest-bearing	Unsecured
Beginning	–				
Billings	57,176				
Collection	183				

In 2020 and 2019, short-term employee benefit compensation to the Company’s key management personnel amounted to ₱2.30 million and ₱3.26 million, respectively. Post-employment benefits compensation to key management personnel amounted to ₱5.87 million and ₱5.40 million in 2020 and 2019, respectively.

There are no agreements between the Company and any of its directors and key officers involving share-based payments or providing benefits upon termination of employment, except for such benefits to which they may be entitled under the Company’s pension plans.

The above outstanding balances as of December 31, 2020 and 2019 are summarized as follows:

	2020	2019
Commission receivable (Note 6)	**₱13,512,854**	₱29,856,592
Short-term investments (Note 5)	**2,333,964**	12,856,290
Cash in bank (Note 4)	**4,694,519**	8,548,200
Long-term investment (Note 10)	**3,900,000**	3,900,000
Due from related parties (Note 6)	**2,898,129**	1,812,346
Subscription payable (Note 13)	**4,687,500**	4,687,500
Due to related parties (Note 13)	**778,380**	3,214,752
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 2020 and 2019 related to the Hybrid Plan amounted to ₱0.34 million and ₱0.02 million, respectively.

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

	2020													
		Net benefit costs recognized in the statement of income					**Remeasurements in other comprehensive income**							
	January 1, 2020	**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, 2020**
Fair value of plan assets	**₱11,288,823**	**₱–**	**₱629,881**	**₱629,881**	**₱–**	**₱84,411**	**(₱161,177)**	**₱–**	**₱–**	**₱–**	**₱–**	**(₱161,177)**	**₱77,343**	**₱11,919,281**
Present value of defined benefit obligation	**(7,707,618)**	**(508,142)**	**(427,002)**	**(935,144)**	**–**	**(84,411)**	**–**	**22,710**	**239,430**	**(682,269)**	**–**	**(420,129)**	**–**	**(9,147,302)**
Effect of asset ceiling	**(643,483)**	**–**	**(35,649)**	**(35,649)**	**–**	**–**	**–**	**–**	**–**	**–**	**406,093**	**406,093**	**–**	**(273,039)**
Net defined benefit asset (liability)	**₱2,937,722**	**(₱508,142)**	**₱167,230**	**(₱340,912)**	**₱–**	**₱–**	**(₱161,177)**	**₱22,710**	**₱239,430**	**(₱682,269)**	**₱406,093**	**(₱175,213)**	**₱77,343**	**₱2,498,940**

	2019													
		Net benefit costs 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

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

	2020	2019
At January 1	**(₱1,513,036)**	(₱468,655)
Remeasurement loss on defined benefit plan	**(175,213)**	(1,491,973)
Tax effect (Note 18)	**52,564**	447,592
At December 31	**(₱1,635,685)**	(₱1,513,036)

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

	2020	2019
Discount rate	**3.77%**	5.54%
Salary increase rate	**3.00%**	5.00%
Average remaining working life	**27.3**	24.8

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	December 31, 2020	
	Increase (decrease)	**Effect on defined pension plan**
Discount rate	**+100 basis points**	**(₱902,726)**
	-100 basis points	**1,062,224**
Salary rate	**+100 basis points**	**1,059,673**
	-100 basis points	**(917,167)**

	December 31, 2019	
	Increase (decrease)	Effect on defined pension plan
Discount rate	+100 basis points	(₱770,304)
	-100 basis points	906,055
Salary rate	+100 basis points	901,789
	-100 basis points	(780,820)

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

	2020	2019
Cash and cash equivalents	**₱5,516,243**	₱3,844,973
Debt instruments in government bonds	**4,892,865**	4,985,144
Debt instruments in other bonds	**182,365**	1,277,894
Loans receivable	–	930,199
Investment in mutual funds	**58,404**	56,444
Real estate	**996,452**	–
Others	**272,952**	194,169
	₱11,919,281	₱11,288,823

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 ₱0.16 million to the defined pension plan in 2021.

Shown below is the maturity analysis of undiscounted benefit payments:

	2020	2019
Less than one year	**₱526,059**	₱445,137
More than one year to five years	**2,361,091**	2,029,273
More than five years to ten years	**6,245,441**	3,393,376

The average duration of the defined benefit obligation at the end of the reporting period is 10.7 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 ₱2.32 million and ₱0.18 million in 2020 and 2019, respectively. Rent expense in 2019 pertains to expenses from short-term leases and leases of low-value assets.

As of December 31, 2020 and 2019, the Company has no contingent rent payable.

Lease liability is presented under 'Trade and other payables'. Following are its movements:

	2020	2019
Balance at beginning of year	**₱1,771,779**	₱562,823
Additions	**2,912,978**	2,959,605
Interest expense	**160,370**	143,901
Payments	**(2,252,739)**	(1,894,550)
Pre-termination	**(703,792)**	–
Balance at end of year	**₱1,888,596**	₱1,771,779

The following are the amounts recognized in the statements of income:

	2020	2019
Depreciation expense of ROU assets included in property and equipment (Note 11)	**₱1,939,098**	₱1,838,135
Lease payments relating to short-term leases and leases with low value assets	**69,996**	179,417
Interest expense on lease liabilities	**160,370**	143,901
Total amount recognized in statement of income	**₱2,169,464**	₱2,161,453

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

	2020	2019
Within one year	**₱1,016,724**	₱1,783,911
Beyond one year	**1,547,138**	389,937
	₱2,563,862	₱2,173,848

18. Income Tax

The Company's provision for income tax consists of:

	2020	2019
Current	**₱17,768,933**	₱22,651,800
Deferred	**449,579**	94,895
Final	**116,020**	78,344
	₱18,334,532	₱22,825,039

Income tax payable amount to ₱4.40 million and ₱2.50 million as of December 31, 2020 and 2019, respectively.

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

	2020	2019
Deferred tax assets recognized in profit or loss		
Unamortized past service cost	**₱972,722**	₱1,137,567
Unearned commission income	–	827,544
Allowance for impairment loss	**479,718**	86,661
Right-of-use asset, net of lease liability	**77,605**	6,923
	1,530,045	2,058,695
Deferred tax liabilities recognized in profit or loss:		
Pension asset	**1,450,690**	1,529,761
	1,450,690	1,529,761
Net deferred tax asset in profit or loss	**79,355**	528,934
Net deferred tax asset recognized in OCI		
Remeasurement loss on net pension liability	**701,008**	648,444
	₱780,363	₱1,177,378

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

	2020	2019
Statutory income tax	**₱17,111,823**	₱24,034,218
Add (deduct) tax effects of:		
Other nontaxable income	**(1,921,174)**	(1,981,966)
Interest income already subjected to final tax	**(204,365)**	(162,422)
Nondeductible expense	**732,114**	935,209
Provision for income tax	**₱15,718,398**	₱22,825,039

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, 2020 and 2019, 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, 2020 and 2019.

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, 2020 and 2019, the Company's past due and impaired receivables amounted to nil.

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, 2020 and 2019:

	2020					
	On demand	**Due within 1 month**	**1 to 3 months**	**3 to 12 months**	**Beyond 1 year**	**Total**
Financial Assets*						
Cash and cash equivalents**	**₱7,479,483**	**₱–**	**₱–**	**₱–**	**₱–**	**₱7,479,483**
Short-term investments	**–**	**2,333,964**	**–**	**–**	**–**	**2,333,964**
Loans and receivables	**16,055,136**	**–**	**–**	**–**	**–**	**16,055,136**
Security deposits***	**683,578**	**–**	**–**	**–**	**–**	**683,578**
Financial assets at FVOCI	**–**	**–**	**–**	**–**	**61,940,354**	**61,940,354**
Long-term investment	**–**	**–**	**–**	**–**	**3,900,000**	**3,900,000**
Total financial assets	**24,218,197**	**2,333,964**	**–**	**–**	**65,840,354**	**92,392,515**
Financial Liabilities						
Trade and other payables	**₱21,379,978**	**₱–**	**₱–**	**₱–**	**₱–**	**₱21,379,978**
Total financial liabilities	**21,379,978**	**–**	**–**	**–**	**–**	**21,379,978**
Net undiscounted cash flows	**₱2,838,219**	**₱2,333,964**	**₱–**	**₱–**	**₱65,840,354**	**₱71,012,537**

**Amounts includes accrued interests*
***Excludes cash on hand*
****Included in 'Other assets'*

	2019					
	On demand	Due within 1 month	1 to 3 months	3 to 12 months	Beyond 1 year	Total
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	50,337,099	12,737,486	697,905	9,225,859	70,533,919	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	₱3,700,469	₱697,905	₱9,225,859	₱70,533,919	₱107,230,952

**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, 2020 and 2019.

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 Company'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.

		2020		
	Quoted Price in Active Markets	**Significant Observable Inputs**	**Significant Unobservable Inputs**	**Total**
Assets for which fair value is disclosed:				
Financial Asset through OCI	**₱–**	**₱–**	**₱61,940,354**	**₱61,940,354**
Investment properties	**–**	**–**	**9,512,000**	**9,512,000**
	₱–	**₱–**	**₱71,452,354**	**₱71,452,354**

		2019		
	Quoted Price in Active Markets	Significant Observable Inputs	Significant Unobservable Inputs	Total
Assets for which fair value is disclosed:				
Financial Asset through OCI	₱–	₱–	₱66,286,770	₱66,286,770
Investment properties	–	–	11,718,396	11,718,396
	₱–	₱–	₱ 78,005,16678,005,16678,005,16678,005,166	₱

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

The Company determines 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 2020
Equity value	**+500 basis points**	**₱1,773,673**
	-500 basis points	**(₱1,773,673)**

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)

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 ₱86.49 million and ₱109.20 million in 2020 and 2019, respectively.

22. Notes to Statements of Cash Flows

The Company's noncash activity pertains to additions to ROU assets amounting to ₱2.91 million and ₱3.00 million as of December 31, 2020 and 2019, respectively.

23. Other Matters

Continuing COVID-19 pandemic

Because of the coronavirus disease 2019 (COVID-19) pandemic, the Company is exposed to a number of trends and uncertainties which can affect its financial performance. These include levels of general economic activity and its effect on the disposable incomes of households in the Philippines.

Various levels of community quarantine throughout the country have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The scale and duration of these developments continue to be uncertain as of the report date. The Company observed declines in its revenues. However, it is not possible to estimate the overall impact of the pandemic's near-term and longer term effects. The Company has incurred and will continue to incur costs as it continues to mitigate the adverse effects of the pandemic on its operations. The pandemic could have a material impact on the Company's financial results for the rest of 2021 and even periods thereafter. Considering the evolving nature of the pandemic, the Company will continue to monitor the situation.

CREATE Act

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.00 million and with total assets not exceeding ₱100.00 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Imposition of improperly accumulated earnings tax (IAET) is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2011 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Company would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020.

- Based on the provisions of Revenue Memorandum Circulars (RMC) No. 50-2021 dated April 5, 2021 issued by the BIR, the prorated CIT rate of the Company for CY2020 is 27.50%. This will result in lower provision for current income tax for the year ended December 31, 2020 and lower income tax payable as of December 31, 2020, amounting to ₱16.29 million and ₱2.92 million, respectively, or a reduction of ₱1.48 million. The reduced amounts will be reflected in the Company's 2020 annual income tax return. However, for financial reporting purposes, the changes will only be recognized in the 2021 financial statements.

- This will result in lower deferred tax assets as of December 31, 2020 and provision for deferred tax for the year then ended by ₱130.06 thousand and ₱13.23 thousand, respectively. These reductions will be recognized in the 2021 financial statements.

24. Approval of the Financial Statements

The accompanying financial statements were authorized for issue by the Company's BOD on March 31, 2021.

25. Supplementary Information Required Under Revenue Regulations 15-2010

The Company reported and/or paid the following types of taxes in 2020:

a. Value added tax (VAT)

Input VAT	
At January 1	₱197,609
Additional	1,120,678
Utilized	(1,175,700)
At December 31	₱142,567

During the year, the Company declared Output VAT amounting to ₱10.60 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	₱45,134
Documentary stamp tax	24,015
Real property tax	9,282
LTO Registration	2,229
Others	26,397
	₱107,057
National	
SEC Articles of Incorporation Amendment	₱–
BIR Registration fee	500
	500
	₱107,557

d. Withholding Taxes
Details of withholding taxes follow:

	Total Remittances	Amount Outstanding
Withholding tax on compensation and benefits	₱222,193	₱–
Expanded withholding taxes	357,629	144,520
	₱579,822	₱144,520