

**CARD MRI Information
Technology, Inc.**

Parent Company Financial Statements
December 31, 2022 and 2021

and

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
CARD MRI Information Technology, Inc.

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of CARD MRI Information Technology, Inc. (the Company), which comprise the parent company statements of financial position as at December 31, 2022 and 2021, and the parent company statements of income, parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021 and their financial performance and their 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 (the Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company 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 Parent Company Financial Statements

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

In preparing the parent company 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 Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company 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 parent company 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 parent company 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 parent company 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 parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



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

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 24 to the parent company financial statements 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 Information Technology, 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

Tax Identification No. 241-031-088

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 109950-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-114-2022, January 20, 2022, valid until January 19, 2025

PTR No. 9369777, January 3, 2023, Makati City

April 24, 2023



CARD MRI INFORMATION TECHNOLOGY, INC.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	₱318,427,002	₱225,018,864
Short-term investments (Note 7)	45,955,041	132,249,417
Receivables (Notes 8 and 21)	4,228,157	3,212,177
Contract assets (Note 15)	479,527	217,199
Other current assets (Note 9)	23,472,361	21,055,407
	392,562,088	381,753,064
Noncurrent Assets		
Investments in a subsidiary and an associate (Note 10)	87,325,544	94,018,359
Property and equipment (Note 11)	49,626,672	49,157,882
Software costs (Note 12)	24,311,941	35,483,212
Retirement asset (Note 17)	12,953,098	13,973,688
Other noncurrent assets (Note 9)	187,678,691	55,881,642
	361,895,946	248,514,783
TOTAL ASSETS	₱754,458,034	₱630,267,847
LIABILITIES AND EQUITY		
Liabilities		
Current Liabilities		
Trade and other payables (Note 13)	₱19,455,502	₱10,197,467
Lease liabilities (Note 18)	4,731,175	4,388,306
Contract liabilities (Note 15)	80,317	192,034
Subscription payable (Note 21)	14,012,500	24,012,500
Income tax payable	17,409,423	8,541,370
	55,688,917	47,331,677
Noncurrent Liabilities		
Lease liabilities (Note 18)	13,746,398	18,477,573
Deferred tax liability (Note 20)	1,607,010	1,070,457
	15,353,408	19,548,030
	71,042,325	66,879,707
Equity		
Capital stock (Note 14)	478,934,400	385,647,300
Retained earnings	204,070,675	168,801,208
Remeasurement gain on retirement plan	793,429	1,268,763
Share in other comprehensive income (loss) of a subsidiary and an associate (Note 10)	(4,384,826)	5,362,976
Net unrealized gain on fair value changes in investment at FVOCI (Note 9)	4,002,031	2,307,893
	683,415,709	563,388,140
TOTAL LIABILITIES AND EQUITY	₱754,458,034	₱630,267,847

See accompanying Notes to Parent Company Financial Statements.



CARD MRI INFORMATION TECHNOLOGY, INC.
PARENT COMPANY STATEMENTS OF INCOME

	Years Ended December 31	
	2022	2021
INCOME		
Service (Notes 15)	₱419,853,903	₱383,648,774
Dividends (Note 9)	11,113,609	2,867,661
Interest (Notes 6, 7, 18, and 21)	5,374,203	4,203,343
Miscellaneous	92,741	134,205
	436,434,456	390,853,983
COST OF SERVICES (Note 15)	143,277,408	138,846,343
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries, wages and other benefits (Notes 16 and 21)	14,510,091	11,562,681
Program, monitoring and evaluation	9,146,161	5,820,941
Information technology expense	7,221,072	3,283,002
Staff training and development	6,382,000	2,363,593
Travelling expenses	3,745,325	2,139,211
Management and other professional fees	3,477,809	2,250,758
Stationery and supplies used	3,285,540	2,073,857
Fuel and lubricants	2,780,536	1,292,944
Depreciation and amortization (Note 11 and 12)	1,621,504	2,462,531
Seminars and meetings	1,391,809	432,304
Security, clerical, messengerial and janitorial services	1,158,009	1,224,235
Power, light and water	1,076,094	2,389,987
Taxes and licenses (Note 25)	950,030	1,022,341
Repairs and maintenance	715,932	622,486
Insurance Expense	461,918	477,056
Representation and entertainment	257,949	188,242
Rent (Note 18)	—	303,158
Miscellaneous (Note 19)	2,145,044	3,128,097
	60,326,823	43,037,424
	203,604,231	181,883,767
INCOME BEFORE SHARE IN NET INCOME OF A SUBSIDIARY AND AN ASSOCIATE	232,830,225	208,970,216
SHARE IN NET INCOME OF A SUBSIDIARY AND AN ASSOCIATE (Note 10)	13,190,091	7,282,956
INCOME BEFORE INCOME TAX	246,020,316	216,253,172
PROVISION FOR INCOME TAX (Note 20)	55,083,466	48,525,790
NET INCOME	₱190,936,850	₱167,727,382

See accompanying Notes to Parent Company Financial Statements.



CARD MRI INFORMATION TECHNOLOGY, INC.**PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31	
	2022	2021
NET INCOME	₱190,936,850	₱167,727,382
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>		
Mark-to-market movement in investment at FVOCI (Note 9)	2,258,003	2,373,088
Change in remeasurement gain on retirement plan (Note 17)	(633,778)	(1,767,709)
	1,624,225	605,379
Tax effects	(405,420)	21,625
	1,218,805	627,004
<i>Other comprehensive income (loss) may be reclassified to profit or loss in subsequent periods:</i>		
Share in the other comprehensive income of a subsidiary and an associate (Note 10)	(9,747,802)	3,093,923
	(8,528,997)	3,720,927
TOTAL COMPREHENSIVE INCOME	₱182,407,853	₱171,448,309

See accompanying Notes to Parent Company Financial Statements.



CARD MRI INFORMATION TECHNOLOGY, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	Capital stock (Note 14)	Retained earnings	Net unrealized gain on fair value changes in investment at FVOCI (Note 9)	Remeasurement loss on retirement plan (Note 17)	Share in other comprehensive income (loss) of a subsidiary (Note 10)	Total
Balances at January 1, 2022	₱385,647,300	₱168,801,208	₱2,307,893	₱1,268,763	₱5,362,976	₱563,388,140
Issuance of capital stock (Note 14)	93,287,100	—	—	—	—	93,287,100
Total comprehensive income for the year	—	190,936,850	1,694,138	(475,334)	(9,747,802)	182,407,852
Dividend declared during the year (Note 14)	—	(155,667,383)	—	—	—	(155,667,383)
Balances at December 31, 2022	₱478,934,400	₱204,070,675	₱4,002,031	₱793,429	₱4,384,826	₱683,415,709
Balances at January 1, 2021	₱301,948,100	₱91,770,704	₱528,077	₱2,421,575	₱2,269,053	₱398,937,509
Issuance of capital stock (Note 14)	83,699,200	—	—	—	—	83,699,200
Total comprehensive income for the year	—	167,727,382	1,779,816	(1,152,812)	3,093,923	171,448,309
Dividend declared during the year (Note 14)	—	(90,696,878)	—	—	—	(90,696,878)
Balances at December 31, 2021	₱385,647,300	₱168,801,208	₱2,307,893	₱1,268,763	₱5,362,976	₱563,388,140

See accompanying Notes to Parent Company Financial Statements.



CARD MRI INFORMATION TECHNOLOGY, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱246,020,316	₱216,253,172
Adjustments for:		
Depreciation and amortization (Notes 11, 12)	37,162,557	43,674,296
Share in net income of a subsidiary and an associate (Note 10)	(13,190,091)	(7,282,956)
Interest income (Notes 6, 7, 18, and 21)	(5,374,203)	(4,203,343)
Retirement expense (Note 17)	1,205,679	1,083,269
Interest expense (Notes 18)	878,795	455,655
Foreign exchange gain (loss)	268,347	(32,345)
Gain on sale of property and equipment	(7,564)	—
Loss on write-down of property and equipment (Note 11)	—	4,200
Changes in operating assets and liabilities:		
Decrease (increase) in the amounts of:		
Short-term investments	86,294,376	(45,161,313)
Receivables	(721,458)	26,214,483
Contract assets	(262,328)	4,236,941
Other current assets	(2,416,954)	3,887,988
Increase (decrease) in the amounts of:		
Trade and other payables	9,258,035	495,250
Contract liabilities	(111,717)	(12,125,157)
Net cash generated from operations	359,003,790	227,500,140
Income tax paid	(46,084,280)	(42,162,557)
Interest received	5,079,681	4,498,385
Contributions to retirement fund (Note 17)	(818,867)	(609,824)
Net cash provided by operating activities	317,180,324	189,226,144
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Financial asset at FVOCI (Note 9)	(119,403,942)	(25,330,800)
Property and equipment (Note 11)	(25,475,935)	(11,235,162)
Software (Note 12)	(991,577)	(28,908,409)
Investment in associate (Note 10)	—	(10,500,000)
Payment of subscription payable	(10,000,000)	(23,800,000)
Disposal of:		
Property and equipment	15,000	—
Cash used in investing activities	(155,856,454)	(99,774,371)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of cash dividends (Note 14)	(83,258,983)	(49,772,878)
Proceeds from issuance of shares of stocks (Note 14)	20,878,700	42,775,200
Payment of principal portion of lease liabilities (Note 18)	(5,267,102)	(7,802,390)
Net cash used in financing activities	(67,647,385)	(14,800,068)
Effect of changes in foreign exchange rates	(268,347)	32,345
NET INCREASE IN CASH	93,408,138	74,684,050
CASH AT BEGINNING OF YEAR	225,018,864	150,334,814
CASH AT END OF YEAR (Note 6)	₱318,427,002	₱225,018,864

See accompanying Notes to Parent Company Financial Statements.



CARD MRI INFORMATION TECHNOLOGY, INC.

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Company Information

CARD MRI Information Technology, Inc. (the Parent Company) was registered with the Securities and Exchange Commission (SEC) on March 12, 2010 and started commercial operations on May 2, 2010 primarily to provide major information technology (IT) services to Center for Agriculture and Rural Development - Mutually Reinforcing Institutions (CARD-MRI).

The Parent Company is leveraging internally developed and externally sourced solutions to create an integrated business environment to enable the continuous growth of CARD MRI's operation. As a major service offered to its sister institutions, software development has become the expertise of the Parent Company.

On October 9, 2015, the Board of Directors (BOD) approved the Parent Company's investment in CARD MRI Holdings, Inc. (CMHI). As an incorporator, the Parent Company holds 47.22% of direct ownership interest over CMHI in 2022 and 2021. CMHI's purpose is to acquire and hold investment shares of stocks, any bonds, debentures and securities, or obligations, created, negotiated or issued by any foreign or domestic corporation, association or other entity and to provide business support to its subsidiaries, affiliates and other related companies to continuously enhance service, compliance and productivity and core practices.

The Parent Company's principal place of business is at No. 35 P. Burgos Street corner M. Paulino Street, San Pablo City, Laguna. Based on the provisions of the Revised Corporation Code of the Philippines or RA 11232, the Parent Company has a perpetual existence.

2. Summary of Significant Accounting Policies

Basis of Preparation

The parent company financial statements have been prepared on a historical cost basis. The parent company financial statements are presented in Philippine peso (₱ or PHP), which is the Parent Company's functional currency, and all amounts are rounded to the nearest peso except when otherwise indicated.

Statement of Compliance

The accompanying parent company financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

These parent company financial statements are the separate financial statements of the Parent Company for management's use and for filing with the Bureau of Internal Revenue (BIR). These parent company financial statements account for the Parent Company's investments in a subsidiary and associate under the equity method as provided for under Philippine Accounting Standard (PAS) 27, *Separate Financial Statements* (Note 10).

The Parent Company also prepares and issues consolidated financial statements as at and for the same period ended as these separate financial statements. Such consolidated financial statements provide information about the economic activities of the Parent Company and its subsidiary and associate and may be obtained from the Parent Company's registered office address.



The table below lists the Parent Company's investments in a subsidiary and an associate, their corresponding principal place of business/country of incorporation, as well as the Parent Company's proportion of the ownership interest held in these entities:

	Country of Incorporation	Direct Percentages of Ownership		Effective Percentages of Ownership	
		December 31		December 31	
		2022	2021	2022	2021
Subsidiary					
CMHI	Philippines	47.22	47.22	47.22	47.22
Associate					
Matapat Holdings, Inc.	Philippines	—	100	—	100

Presentation of Parent Company Financial Statements

The statements of financial position of the Parent Company are presented based on current and non-current classification.

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

The Parent Company assesses that they have 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 insolvency or bankruptcy of the Parent Company and all of the counterparties.

Income and expenses are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Parent Company.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Parent Company has adopted the following new accounting pronouncements starting January 1, 2022. The adoption of the new and amended standards and interpretations did not have any impact on the parent company financial statements unless otherwise indicated.

○ Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.



- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the 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*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent’s consolidated financial statements, based on the parent’s date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

- Amendments to PFRS 9, *Financial Instruments, Fees in the ‘10 per cent’ test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

Significant Accounting Policies

Current versus Noncurrent Classification

The Company presents assets and liabilities in the statements of financial position based on current or noncurrent classification:

An asset is current when it is:

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



All other assets are classified as noncurrent.

A liability is current when it is:

- Expected to be settled in normal operating cycle;
- Held primarily for the purpose of trading;
- Due to be settled within twelve months after the reporting period; or
- Not subject to unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as noncurrent.

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

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash in banks represent demand, and savings deposits that earn interests at the respective bank deposit rates. Time deposits are short-term deposits in banks with maturity ranging to 1 to 90 days and are subject to insignificant risk of changes in value.

Short-term Investments

Short-term investments are temporary investments or marketable securities designed to provide a safe harbor for cash while it awaits future deployment into higher-returning opportunities. It includes time deposits with 91 to 360 days' term.

Fair Value Measurement

Fair value is the estimated 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 Parent 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.

If an asset or a liability measured at fair value has a bid price and an ask price, the price between the bid-ask price spread that is most representative of fair value in the circumstances shall be used to measure fair value, regardless of where the input is categorized within the fair value hierarchy.

The Parent 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 parent company 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 parent company financial statements on a recurring basis, the Parent Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at every reporting date.

Financial Instruments – Initial Recognition and Subsequent Measurement

Date of recognition

Financial instruments within the scope of PFRS 9 are recognized in the statement of financial position when the Parent Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized using the trade date accounting.

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 Parent Company's business model for managing them. The Parent Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Parent 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.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Parent Company commits to purchase or sell the asset.



Subsequent measurement

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

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

Financial assets at amortized cost

This category is the most relevant to the Parent Company. The Parent Company measures financial assets at amortized cost if both of the following conditions are met:

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

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

The Parent Company's financial assets at amortized cost include 'Cash and cash equivalents', 'Short-term investments', 'Receivables' and long-term deposit time deposit under 'Other noncurrent assets'.

Financial assets designated at FVOCI (equity instruments)

Upon initial recognition, the Parent 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 on these financial assets can no longer be recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of income when the right of payment has been established, except when the Parent Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Parent Company's financial assets at FVOCI includes investments in unquoted equity instruments under 'Other noncurrent assets'.

Derecognition

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

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



When the Parent Company has transferred its right 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 of the risks and rewards of the asset, nor transferred control of the asset, the Parent Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Parent 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 Parent 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 Parent Company could be required to repay.

Impairment of Financial Assets

The Parent Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Parent 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).

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

Financial liabilities

Initial recognition and measurement

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

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

The Parent Company's financial liabilities include 'Trade and other payables' and 'Subscription payable'.

Subsequent measurement

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

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



Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the 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 profit or loss.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement 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 Parent 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 insolvency or bankruptcy of the Parent Company and all of the counterparties.

Prepayments

Prepayments represent expenses not yet incurred but are already paid in cash. These are measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Investment in an Associate

An associate is an entity over which the Parent Company has a significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The Parent Company's investment in an associate is accounted for using the equity method of accounting.

Under the equity method, an investment in an associate is initially recognized at cost. Goodwill, if any, relating to an associate is included in the carrying value of the investment and is not amortized.

The statement of income reflects the Parent Company's share of the results of operations of the associate. Any change in other comprehensive income of the associate is presented as part of the Parent Company's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate, the Parent Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Parent Company and its associate are eliminated to the extent of the interest in the associate.

When the Parent Company's share of losses of in an associate equal or exceeds its interest in the associate, the Parent Company does not recognize further losses unless it has incurred obligations or made payments on behalf of the associate. Profit or losses resulting from transactions between the Parent Company and its associate are eliminated to the extent of the interest in the associate.

Upon loss of significant influence over the associate, the Parent Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and fair value of the retained investment and proceeds from disposal is recognized in the statement of income.



The parent company financial statements of the associate is prepared for the same reporting period as the Parent Company. The associate's accounting policies conform to those used by the Parent Company for like transactions and events in similar circumstances.

Investment in a Subsidiary

A subsidiary is an entity over which the Parent Company has control. The Parent Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the parent company financial statements, investment in a subsidiary is accounted for under the equity method of accounting similar to the investment in an associate.

Property and Equipment

Property and equipment carried at cost less accumulated depreciation, and any impairment in value. The initial cost of property and equipment is comprised of purchase price and any directly attributable costs of preparing the asset 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.

Depreciation and amortization are computed using the straight-line method over the estimated useful life (EUL) of the depreciable assets as follows:

Information technology (IT) equipment	2 to 5 years
Furniture, fixtures and equipment	2 to 5 years
Transportation equipment	3 years
Leasehold improvements	2 to 3 years or the lease term, whichever is shorter
ROU assets	2 to 5 years

The EUL, and depreciation and amortization method are reviewed periodically to ensure that they are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized either 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.

Software Costs

Software costs acquired separately are measured on initial recognition at cost. Following initial recognition, software costs are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

Software costs are amortized over the useful economic life and assessed for impairment whenever there is an indication that the software cost may be impaired. The amortization period and method for a software cost with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as



appropriate, and are treated as changes in accounting estimates. The amortization expense on software costs is recognized in the statement of income in the expense category that is consistent with the function of the software costs.

If the entity acquires software costs by subcontracting other parties (e.g., development-and-supply contracts or research and development contracts), the entity must exercise judgment in determining whether it is acquiring a software cost or whether it is obtaining goods and services that are being used in the development of a software cost by the entity itself. In the latter case, the entity will only be able to recognize a software cost if the expenditures meet the criteria which confirm that the related activity is at a sufficiently advanced stage of development, which shall be both technically and commercially viable and includes only directly attributable costs.

Only expenditure arising from the development phase can be considered for capitalization, with all expenditure on research being recognized as an expense when it is incurred.

Software costs recognized as assets are amortized on a straight-line basis over the EUL of three (3) to five (5) years. The amortization period and method for a software cost with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Software costs under development are not amortized until available for use.

Impairment of Nonfinancial Assets

At each reporting date, the Parent Company assesses whether there is any indication of impairment of its nonfinancial assets (e.g. investments in a subsidiary and an associate, property and equipment and software costs). When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Parent Company makes a formal estimate of recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit (CGU) to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset (or CGU) is considered impaired and is written down to its recoverable amount.

The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less costs to sell while value on use is the present value of the estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of useful life.

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.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.



Contract Assets

A contract asset is initially recognized for revenue earned from services because the receipt of consideration is conditional on successful completion of the installation. Upon completion of the installation and acceptance by the customer, the amount recognized as contract assets is reclassified to trade receivables.

Contract Liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Parent Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Parent Company transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Parent Company performs under the contract.

Equity

Capital stock

Capital stock is measured at par value for all shares issued and outstanding. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax. The subscribed capital stock is reported in equity less the related subscription receivable when it is expected to be collected in the ensuing period, otherwise, it is presented as an asset during the period.

Retained earnings

Retained earnings represent all accumulated profits or losses of the Parent Company and dividend distributions to stockholders and all other capital adjustments.

Dividends

Dividends are recognized as liability and deducted from the equity when approved by the BOD. Dividends for the year that are approved after the reporting date are dealt with as an event after reporting period.

Other Comprehensive Income

Other comprehensive income (OCI) comprises items of income and expenses that are recognized directly in equity. OCI items are either reclassified to profit or loss or directly within equity in subsequent periods.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Parent Company and the revenue can be reliably measured regardless of when payment is being made. Revenue is measured at fair value of the consideration received or receivable, considering contractually defined terms of payment and excluding taxes or duty. The Parent Company has assessed that it is acting as a principal in all its revenue transactions.

The following specific recognition criteria must also be met before income is recognized:

Revenues within the scope of PFRS 15:

Service income

Service income is recognized when services are rendered. It is divided into the following revenue streams:



a. Project management services

Project management is the full management of IT projects or co-management of business projects involving technology resources, solutions or skillsets. This service shall cover varying scope and resource involvement as may be agreed within a project contract.

Under PFRS 15, when a performance obligation is satisfied over time, the Parent Company uses Output method which based on contract milestones to measure progress for each performance obligation. The service income is recognized in reference to the stage of achievement of the project milestones.

b. Monthly fees

Monthly fees are also called as Software as a Service (SaaS) which is a provision of rights to a specific client to use a software which its license is on a subscription basis and Managed Services (i.e. outsourcing services) which are maintenance fees of services provided to the Parent Company's customers. The services are rendered throughout the period equally and monthly revenue is recognized.

c. One-time services

One-time services depend on the needs of the customers. This normally consists of technical repairs made for the customers. Outright revenue is recognized as each service is performed.

Revenues outside the scope of PFRS 15:

Interest income

Interest income on deposits in banks is recognized as interest accrues, taking into account the effective yield of the asset.

Dividend income

Dividend income is recognized when the right to receive (i.e., date of declaration) payment is established.

Miscellaneous income

Miscellaneous income is recognized when it is probable that the economic benefit will flow to the Parent Company and amount can be measured reliably.

Cost and Expense Recognition

Cost and expense are recognized in the statement of income when it is probable that a decrease in future economic benefits related to a decrease in an asset or an increase in liability has occurred and the decrease in economic benefits can be measured reliably. Cost and expense in the statement of income are recognized:

- based on direct association between the costs incurred and the earning of specific items of income;
- based on systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of financial position as an asset.



Revenues and expenses that relate to same transaction or other event are recognized simultaneously.

The following specific recognition criteria must also be met before expense is recognized:

Interest expense

Interest expense for all interest-bearing financial liabilities is recognized in 'Interest expense' in the statement of income using the EIR of the financial liabilities to which they relate.

General and administrative expenses

Expenses encompasses losses as well as those that arise in the ordinary course of the business of the Parent Company. Expenses are recognized when incurred.

Retirement Benefits

The Parent Company operates a defined benefit retirement plan and hybrid retirement plan which requires contributions to be made to a separately administered fund.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit retirement plan is determined using the projected unit credit method.

Retirement costs comprise the following:

- service cost;
- net interest on the net defined benefit liability or asset; and
- remeasurements of net defined benefit liability or asset.

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

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of income.

Remeasurements comprising of actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to the statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Parent Company, nor can they be paid directly to the Parent 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.

The Parent Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when, and only when, reimbursement is virtually certain.

Employee leave entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the reporting date is recognized for services rendered by employees up to the reporting date.

Leases

The Parent 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.

The Parent Company as a lessee

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

- **Right-of-use assets**

The Parent 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 measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Parent Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and its lease term.

If ownership of the leased asset transfers to the Parent Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

- **Lease liabilities**

At the commencement date of the lease, the Parent 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 Parent Company and payments of penalties for terminating the lease, if the lease term reflects the Parent Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.



In calculating the present value of lease payments, the Parent Company uses its incremental borrowing rate at the lease commencement date because 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 lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

- Short-term leases and leases of low-value assets
The Parent Company applies the short-term lease recognition exemption to its leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option, and the leases of low-value assets recognition exemption to its leases of office space, vehicles and computer equipment. Lease payments on short-term leases and leases of low-value assets are recognized as expense under 'Cost of services' for leases attributable to direct cost of service and 'Miscellaneous' for leases attributable to general and administrative expenses on a straight-line basis over the lease term.

Income and Other Taxes

Current tax

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

Deferred tax

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date 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 deductible temporary differences and carryforward of unused excess of MCIT over RCIT and NOLCO can be utilized.

Deferred tax assets or liabilities, however, are 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 transaction, and affects neither the accounting income nor taxable income.

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 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 income will allow the deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are applicable to the year 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 reporting date.



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 such deferred taxes relate to the same taxable entity and the same taxation authority.

Current tax and deferred tax relating to items recognized in equity are recognized in OCI.

Value-Added Tax (VAT)

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

- Where the VAT incurred on the purchase of an asset or service is not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of VAT included.

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

Provisions and Contingencies

Provisions are recognized when the Parent 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 Parent Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

Events after the Reporting Period

Any post year-end events up to the date of approval of BOD that provide additional information about the Parent Company's position at the reporting date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are non-adjusting events, if any, are disclosed when material to the parent company financial statements.

Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 2023

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*



Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

3. Significant Accounting Judgments and Estimates

The preparation of the parent company financial statements in compliance with PFRSs requires management to make judgments and estimates that affect the amounts reported in the parent company financial statements and accompanying notes.

The judgments and estimates used in the accompanying parent company financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the parent company financial statements. Actual results could differ from such estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including future events that are believed to be reasonable under circumstances.

Judgment

In the process of applying the Parent Company's accounting policies, management has made the judgments below, apart from those involving estimations, which have the most significant effect on the amounts recognized in the parent company financial statements:

Revenue recognition on services

Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in determining the timing of satisfaction of the services. The Parent Company concluded that revenue for project management services, SaaS and one-time services is to be recognized over time because the customer simultaneously receives and consumes the benefits provided by the Parent Company. The Parent Company uses output method in measuring progress of the project management services. The Parent Company recognizes revenue based on actual project milestone basis.

Revenue recognized in 2022 and 2021 is disclosed in Note 15. The accounting policy in relation to revenue recognition is disclosed in Note 2.

Leases - Estimating the incremental borrowing rate

The Parent Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Parent 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 Parent Company estimates the IBR using observable inputs (by reference to average bank lending rates).

The Parent Company's lease liabilities amounted to ₱18.48 million and ₱22.87 million as of December 31, 2022 and 2021, respectively (Note 18).



Assessment of control over an investee

The determination on whether the Parent Company has control over an investee requires significant judgment. For this, the Parent Company considers the following factors: (a) power over the investee, (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns. In assessing whether the Parent Company has power over the investee, the Parent Company assesses whether it has existing rights that give it the current ability to direct the relevant activities of the investee.

The investment in a subsidiary of the Parent Company is disclosed in Note 10 and the related applicable accounting policy is disclosed in Note 2.

Determination of significant influence over another entity

The determination of significant influence over another entity, other than the rebuttable presumption of ownership over twenty percent (20.0%), requires significant judgment. In making judgment, the Parent Company evaluates existence of the following:

- representation on the BOD or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the entity and its investee;
- interchange of managerial personnel; or
- provision of essential technical information.

Classification of financial assets

The Parent Company classifies its financial assets depending on the business model for managing those financial assets and whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

The Parent Company uses the following relevant and objective evidence to determine the business model for particular financial assets:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Parent Company's key management personnel; and
- the risks that affect the performance of the business model and the financial assets held within that business model and the way those risks are managed.

At initial recognition the Parent Company at its sole option may irrevocably designate an investment in an equity instrument as FVOCI, unless the asset is:

- Held for trading, or
- Contingent consideration in a business combination.

Under this option, only qualifying dividends are recognized in profit and loss. Changes in fair value are recognized in OCI and never reclassified to profit and loss, even if the asset is impaired, sold or otherwise derecognized.

The Parent Company elects to apply this option if its investments in equity instruments are held for non-contractual benefits rather than primarily for their increase in value.



As of December 31, 2022 and 2021, the Parent Company owns investments totaling ₱167.68 million and ₱35.88 million, respectively, which were irrevocably designated as financial assets at FVOCI (Note 9).

Estimates

The key assumptions concerning the future and other key sources of estimation and uncertainty at the financial 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.

Net plan assets and retirement expense

The determination of the Parent Company's net plan assets and retirement expense are dependent on certain assumptions used by the actuary in calculating such amounts. Those assumptions are described in Note 17 to the parent company financial statements and include, among others, discount and salary rates, future salary increase and average remaining working lives of employees.

While management believes that the assumptions are reasonable and appropriate, significant differences in the Parent Company's actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligation.

As at December 31, 2022 and 2021, the present value of the retirement obligation and fair values of retirement assets of the Parent Company, including the details of the assumptions used in the calculation, are disclosed in Note 17.

Valuation of other long-term employee benefits

Other long-term employee benefits pertain to the vacation leave credits that can be carried over and monetized by the employees. The valuation of the Parent Company's accrual for other long-term employee benefits are dependent on certain assumptions used by its internal actuary in calculating such amounts. Those assumptions include, among others, discount and salary rates, future salary increase and average remaining working lives of employees.

As at December 31, 2022 and 2021, the amount of other long-term employee benefits accrued by the Parent Company is ₱1.70 million and ₱2.03 million, respectively (Note 13).

Fair value of financial instruments

Where the fair values of financial instruments recorded in the statements of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values.

The fair value of the Parent Company's financial asset at FVOCI, as well as the manner in which fair value was determined, is discussed in more detail in Note 9.



4. Fair Value Measurement

The methods and assumptions used by the Parent Company in estimating the fair values of financial instruments are:

Cash and cash equivalents, short-term investments, receivables, long-term deposit time deposit under other noncurrent assets, trade and other payables and subscription payable

Carrying amounts of these financial instruments approximate their fair values.

Refundable deposits classified under other current assets

The fair value of refundable deposits was computed using the discounted cash flow methodology using current market rate.

Lease liabilities

The fair value of lease liabilities is determined based on the discounted value of future rental payments using the applicable incremental borrowing rates.

Financial assets at FVOCI

The fair values of the Parent Company's financial assets at FVOCI are derived using acceptable valuation methods. The valuation assumptions used are Level 3 inputs which were based on relevant information existing at the report dates

Reconciliation of fair value measurements of Level 3 financial instruments

The Parent Company carries financial assets at FVOCI classified as Level 3 within the fair value hierarchy.

The following table shows the reconciliation of the beginning and closing amounts of Level 3 financial assets which are recorded at fair value:

	2022	2021
Beginning balance	₱2,307,893	₱528,077
Mark-to-market fair value changes	1,691,594	1,779,816
Ending balance	₱3,999,487	₱2,307,893

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

Description of significant unobservable inputs to valuation of financial assets at FVOCI under Level 3 of their fair value category follow:

Valuation Technique	Investment	Significant Unobservable Input	Inputs	
			2022	2021
Adjusted net asset	CAMIA	Book value per share	₱1,036.87/share	₱1,170.10/share
Adjusted net asset	Matapat Holdings, Inc.	Book value per share	₱9.73/share	
Capital asset pricing model	CBI, CSME	Median of costs of equity and debt	12.05%	9.09%

Financial assets at FVOCI

The Parent Company estimates the fair value of the unquoted equity securities using the adjusted net asset value approach. Below shows the sensitivity of the valuation to various changes in assumption:



CAMIA

Fair value of financial asset at FVOCI	₱3,415,454
Alternative scenarios:	
Discount for lack of marketability:	
-5.00%	3,244,681
+5.00%	3,586,227

Matapat Holdings, Inc.

Fair value of financial asset at FVOCI	₱10,217,346
Alternative scenarios:	
Discount for lack of marketability:	
-5.00%	9,706,478
+5.00%	10,728,213

The Parent Company estimates the fair value of the unquoted equity securities using the capital asset pricing model. Below shows the sensitivity of the valuation to various changes in assumption:

Fair value of financial asset at FVOCI	₱117,836,605
Alternative scenarios:	
Risk free rate:	
-1.00%	116,658,238
+1.00%	119,014,971

The use of reasonably possible alternative assumptions in the significant unobservable inputs will affect the fair value of the unquoted equity securities and the OCI (before tax) as presented above.

5. Financial Risk Management Objectives and Policies

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

- Credit risk
- Liquidity risk
- Market risk

In line with the CARD MRI's mission of "*providing continued access to integrated microfinance and social development services to an expanding membership base by organizing and empowering women and their families*", risk management framework of the Parent Company involves identifying and assessing risks, designing strategies and implementing policies to mitigate risks, and conducting evaluation for adjustments needed to minimize risks.

The BOD is responsible for monitoring the Parent Company's implementation of risk management policies and procedures and for reviewing the adequacy of risk management framework in relation to the risks faced by the Parent Company. Risk Management of the Parent Company is strengthened in conjunction with the Internal Audit (IA) functions of CARD MRI. IA undertakes both regular audit examination and ad hoc reviews of risk management controls and procedures, the results of which are reported to the BOD.



Credit Risk

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

Maximum exposure to credit risk

The maximum exposure of the Parent Company's financial instruments is equivalent to the carrying values as reflected in the statements of financial position and related notes. The Parent Company holds no collateral and other credit enhancements against its credit risk exposure as at December 31, 2022 and 2021.

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 Parent Company's financial assets are concentrated to financial intermediaries and other institutions within CARD MRI.

Credit quality per class of financial assets

The Parent 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, 2022 and 2021, the Parent Company has no past due and impaired receivables.

Liquidity Risk

The tables below summarize the maturity profile of the financial instruments of the Parent Company based on contractual undiscounted cash flow as at December 31, 2022 and 2021:

	2022					Total
	On demand	Due within 1 month	1 to 3 months	3 to 12 months	Beyond 1 year	
Financial Assets						
Cash and cash equivalents*	₱318,407,002	₱–	₱–	₱–	₱–	₱318,407,002
Short-term investments**	–	–	46,353,773	–	–	46,353,773
Receivables	4,228,157	–	–	–	–	4,228,157
Financial assets at FVOCI	–	–	–	–	167,678,691	167,678,691
Long-term time deposit**	–	–	–	–	21,876,164	21,876,164
Refundable deposits	–	–	414,760	–	–	414,760
	₱322,635,159	₱–	₱46,768,533	₱–	₱189,554,855	₱558,958,547
Financial Liabilities						
Trade and other payables***	₱13,183,058	₱–	₱–	₱–	₱–	₱13,183,058
Lease liabilities	–	386,724	777,518	3,566,932	13,746,399	18,477,573
Subscriptions payable	–	–	14,012,500	–	–	14,012,500
	13,183,058	386,724	14,790,018	3,566,932	13,746,399	45,673,131
	₱309,452,101	(₱386,724)	₱31,978,515	(₱3,566,932)	₱175,808,456	₱513,285,416

*Excludes cash on hand amounting to ₱20,000

**Includes future interest

***Excludes 'VAT payable' and 'Statutory payable' amounting to ₱4,473,303 and ₱1,799,141, respectively.



	2021					Total
	On demand	Due within 1 month	1 to 3 months	3 to 12 months	Beyond 1 year	
Financial Assets						
Cash and cash equivalents*	P224,998,864	P—	P—	P—	P—	P224,998,864
Short-term investments**	—	—	—	133,667,528	—	133,667,528
Receivables	3,212,177	—	—	—	—	3,212,177
Financial assets at FVOCI	—	—	—	—	35,881,642	35,881,642
Long-term time deposit**	—	—	—	—	23,000,000	23,000,000
Refundable deposits	—	—	1,559,138	—	—	1,559,138
	P228,211,041	P—	P1,559,138	P133,667,528	P58,881,642	P422,319,349
Financial Liabilities						
Trade and other payables***	P5,405,991	P—	P—	P—	P—	P5,405,991
Lease liabilities	—	349,850	703,382	3,335,074	18,477,573	22,865,879
Subscriptions payable	—	—	—	—	24,012,500	24,012,500
	5,405,991	349,850	703,382	3,335,074	42,490,073	52,284,370
	P222,805,050	(P349,850)	P855,756	P130,332,454	P16,391,569	P370,034,979

*Excludes cash on hand amounting to P20,000

**Includes future interest

***Excludes VAT payable and 'Statutory payable' amounting to P4,065,574 and P725,902, respectively.

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.

Equity price risk

Equity price risk is the risk that the fair value of equity securities will fluctuate as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Parent Company's FVOCI investments.

The table below demonstrates the sensitivity, to a reasonably possible change in weighted cost of capital with all other variables held constant, of the Parent Company's other comprehensive income through the impact on unrealized gain/loss on financial asset at FVOCI.

	Change in weighted cost of capital (in basis points)			
	2022		2021	
	+100 bps	-100 bps	+100 bps	-100 bps
Change in equity	P5,279,215	(P5,279,215)	P977,924	(P977,924)

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The closing rates used are as follows:

	2022	2021
One (1) US Dollar (USD) to PHP	55.755	51.000



The table below summarizes the Parent Company's exposure to foreign exchange risk as of December 31, 2022 and 2021, presented at carrying amount.

	2022		2021	
	USD	PHP	USD	PHP
Cash in bank	\$15,876	₱885,144	\$3,841	₱195,891
Cash equivalents	602,620	33,599,081	—	—
	\$618,496	₱34,484,225	\$3,841	₱195,891

The table below indicates the impact of the range of reasonably possible changes in the USD exchange rate per Philippine peso on the pre-tax income of the Parent Company.

	2022		2021	
	3.50%	(3.50%)	0.90%	(0.90%)
Change in pre-tax income	1,206,948	(1,206,948)	1,763	(1,763)
As % of the Parent Company's income before income tax	0.4906%	(0.4906%)	0.0008%	(0.0008%)

Interest rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate because of changes in market interest rates.

As of December 31, 2022 and 2021, the Parent Company has no repricing financial instruments. Cash and cash equivalents, short-term investments and long-term time deposit have fixed interest rates. As such, the Parent Company's exposure to interest rate risk is minimal.

6. Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash on hand	₱20,000	₱20,000
Cash in banks	206,843,635	224,998,864
Cash equivalents	111,563,367	—
	₱318,427,002	₱225,018,864

Cash in banks consist of demand deposits, savings deposits, and a dollar account. The Parent Company's demand deposits and savings account are used in its day-to-day operations. Cash in banks earn interest rates ranging from 0.01% to 1.50% and 0.05% to 0.50% in 2022 and 2021, respectively.

Cash equivalents consist of time deposit facilities with maturities of one to 90 days maintained by the Parent Company in local banks. The time deposit facilities earn interest at rates ranging from 1.00% to 3.80% and from 1.75% to 4.25% in 2022 and 2021, respectively.

Interest income earned by the Parent Company from its cash and cash equivalents amounted to ₱4.39 million and ₱0.23 million in 2022 and 2021, respectively.



7. Short-term Investments

Short-term investments represent time deposits and treasury bills with maturities of more than three months but less than one (1) year. As at December 31, 2022 and 2021, the short-term investments amounted to ₱45.96 million and ₱132.25 million, respectively.

Short-term investments earn annual interest ranging from 3.88% to 4.08% and 1.75% to 4.25% in 2022 and 2021, respectively. Interest income from short-term investments by the Parent Company amounted to ₱0.38 million and ₱3.89 million in 2022 and 2021, respectively.

8. Receivables

The composition of the account is as follows:

	2022	2021
Advances for stock subscription	₱3,388,500	₱2,620,700
Other receivables	839,657	591,477
	₱4,228,157	₱3,212,177

Advances for stock subscription pertains to a deposit in future stock subscription in CARD SME Bank, Inc. in which the Bank has applied for increase in authorized capital stock which is not yet approved as of reporting date. This amount is expected to be realized as part of investment within one (1) year.

Other receivables pertain to claims against non-related parties and from officers and employees which are noninterest-bearing and are due and demandable. It also includes accrual of interest from time deposit and government securities.

9. Other Assets

Other current assets consist of:

	2022	2021
Financial assets		
Refundable deposits (Note 18)	₱414,760	₱1,559,138
Nonfinancial assets		
Prepaid expenses	₱19,156,143	₱13,820,348
Input VAT	3,849,204	5,528,032
Stationery and supplies	52,254	147,889
	23,057,601	19,496,269
	₱23,472,361	₱21,055,407

Prepaid expenses pertain to unexpired subscriptions to software licenses and servers that are usable for one year and prepayments for insurance with one-year expiry date. Refundable deposits pertain to rental deposits on the Parent Company's leased office spaces, staff house, transportation vehicle, and IT equipment with a term of less than one year with CARD Leasing Finance Corporation.



Other noncurrent assets consist of:

	2022	2021
Long-term time deposit	₱20,000,000	₱20,000,000
Financial assets at FVOCI	167,678,691	35,881,642
	₱187,678,691	₱55,881,642

Long-term time deposit pertains to a 5-year placement made by the Parent Company to a local bank. This facility earns 4.00% interest annually which will be received upon maturity.

Financial assets at FVOCI

This account consists of:

	2022	2021
Investment in equity securities	₱131,469,405	₱35,881,642
Investment in government securities	36,209,286	—
	₱167,678,691	₱35,881,642

Investment in equity securities represents the Parent Company's ownership interest on the following entities:

	2022	2021
CARD MRI Insurance Agency (CAMIA)	3.29%	3.29%
CARD SME Bank, Inc., A Thrift Bank (CSME)	0.62%	0.62%
CARD Bank, Inc. (A Microfinance-oriented Rural bank) (CBI)	2.12%	2.00%
Matapat Holdings, Inc.	7.62%	—

Movements in the investment are as follows:

	2022	2021
Beginning balance	₱35,881,642	₱8,177,754
Fair value changes during the year	2,255,459	2,373,088
Additional investment	93,332,304	25,330,800
Ending balance	₱131,469,405	₱35,881,642

The movements in the unrealized gains on financial investments at FVOCI of the Parent Company follow:

	2022	2021
Beginning balance	₱2,307,893	₱528,077
Market-to-market fair value changes	2,255,459	2,373,088
Income tax effect	(563,865)	(593,272)
Ending balance	₱3,999,487	₱2,307,893

In 2022 and 2021, the Parent Company acquired 800,000 and 100,000 preferred shares of CBI for a total consideration of ₱80.00 million and ₱20.00 million, respectively. The Parent Company also acquired 26,207 common shares of CBI for a total consideration of ₱2.62 million.



In 2021, the Parent Company acquired 46,681 common shares of CSME for a total consideration of ₱4.67 million.

The Parent Company also received cash dividend from these unquoted securities amounted to ₱11.11 million and ₱2.87 million in 2022 and 2021, respectively.

The Parent Company has irrevocably elected to classify these investments as at FVOCI as it intends to hold these investments for the foreseeable future.

10. Investments in a Subsidiary and an Associate

Movements of investment in a subsidiary follow:

	2022	2021
Acquisition cost		
Balances at beginning and end of year	₱63,750,000	₱63,750,000
Accumulated equity in net earnings		
Balance at beginning of year	14,770,280	7,122,427
Share in net income for the year	13,190,091	7,647,853
	27,960,371	14,770,280
Accumulated equity in other comprehensive income (loss)		
Balance at beginning of year	5,362,975	2,269,053
Share in other comprehensive income (loss) for the year	(9,747,802)	3,093,923
	(4,384,827)	5,362,975
	₱87,325,544	₱83,883,255

Acquisition of CMHI

In 2016, the Parent Company, together with various investors, incorporated CMHI. As an incorporator, the Parent Company has 51.00% ownership and voting interest in CMHI, with initial investment of ₱63.75 million and subscription payable of ₱47.81 million. The Parent Company accounts for the investment in CMHI as a controlled subsidiary under PFRS 10, *Consolidated Financial Statements*.

In 2022, ownership interest of the Parent Company to CMHI is 47.22%. In 2022 and 2021, the Parent Company also settled its subscription payable amounting to ₱10.00 million and ₱23.80 million, respectively.

On June 6, 2016, CMHI contributed ₱10.86 million to incorporate FDS Asya Pte. Ltd. (FAPL). CMHI owns 47.00% voting interest in FAPL.



Movements of investment in an associate follow:

	2022	2021
Acquisition cost		
Beginning	₱10,500,000	₱—
Additional investment during the year	—	10,500,000
Reclassification of investment to FVOCI	(10,500,000)	—
Balance at end of year	—	10,500,000
Accumulated equity in net losses		
Balance at beginning of year	(364,897)	—
Share in net loss for the year	—	(364,897)
Reclassification during the year	364,897	—
Balance at end of year	—	(364,897)
	₱—	₱10,135,103

In 2019, the Parent Company acquired 24.95% ownership over Asenso Tech Pte. Ltd., a company engaged in finance technology and incorporated under the laws of Singapore, for a total consideration of ₱5.63 million (\$108,000). However, in 2020, the Parent Company withdrew for a consideration of \$108,000.

In 2021, the Parent Company purchased software to Asenso Singapore in which the amount of investment withdrawn has been offsetted. Total amount of the said software recorded under “Intangibles” amounts to ₱19.88 million (Note 12).

In November 2020, the Parent Company acquired 100% ownership in Asenso Tech, Inc., a company engaged in finance technology and incorporated in the Philippines. These were recorded under “Receivables” as shares were not yet issued as of December 31, 2020.

In 2020, the investee applied to Securities and Exchange Commission to change its company name and purpose as follows:

	New	Old
Company Name	Matapat Holdings, Inc	Asenso Tech, Pte. Ltd
Purpose	Holding Company	IT Company

The Commission approved the application last December 29, 2020. The investee also submitted its revised General Information Sheet wherein the Parent Company owns 99.995%. It was approved last March 2021.

In 2022, ownership interest of the Parent Company to Matapat Holdings decreased to 7.62% and reclassified as part of ‘Financial Assets at FVOCI’ (Note 9).



11. Property and Equipment

The Parent Company's property and equipment consists of:

2022					
	IT Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	ROU Assets	Total
Cost					
Balance at beginning of year	₱91,073,857	₱1,537,186	₱4,752,715	₱59,987,221	₱157,350,979
Additions	25,396,746	79,189	—	—	25,475,935
Write-off	(133,839)	—	—	—	(133,839)
Balances at end of year	116,336,764	1,616,376	4,752,715	59,987,221	182,693,075
Accumulated depreciation					
Balance at beginning of year	64,903,912	1,429,565	4,570,807	37,288,813	108,193,097
Depreciation (Notes 15 and 18)	19,876,021	99,434	71,874	4,952,380	24,999,709
Write-off	(126,403)	—	—	—	(126,403)
Balance at end of year	84,653,530	1,528,999	4,642,681	42,241,193	133,066,403
Net book value at end of year	₱31,683,234	₱87,376	₱110,034	₱17,746,028	₱49,626,672

2021					
	IT Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	ROU Assets	Total
Cost					
Balance at beginning of year	₱82,296,530	₱1,670,512	₱4,835,937	₱35,225,320	₱124,028,299
Additions	10,964,238	55,303	215,621	24,761,901	35,997,063
Write-off	(2,186,911)	(188,629)	(298,843)	—	(2,674,383)
Balances at end of year	91,073,857	1,537,186	4,752,715	59,987,221	157,350,979
Accumulated depreciation					
Balance at beginning of year	45,120,060	1,348,329	3,888,392	28,453,438	78,810,219
Depreciation (Notes 15 and 18)	21,966,575	269,859	981,252	8,835,375	32,053,061
Write-off	(2,182,723)	(188,623)	(298,837)	—	(2,670,183)
Balance at end of year	64,903,912	1,429,565	4,570,807	37,288,813	108,193,097
Net book value at end of year	₱26,169,945	₱107,621	₱181,908	₱22,698,408	₱49,157,882

Depreciation and amortization charged to the parent company statements of income is presented under:

	2022	2021
Depreciation and amortization of property and equipment		
Cost of services (Note 15)	₱23,485,148	₱29,590,530
General and administrative expenses (Note 19)	1,514,561	2,462,531
	₱24,999,709	₱32,053,061

In 2022 and 2021, written-off accounts comprise of fully depreciated and obsolete IT equipment, furniture, fixtures and equipment and leasehold improvements.



12. Software Costs

The Parent Company's software costs consist of:

	2022	2021
Cost		
Balance at beginning of year	₱60,068,427	₱34,853,431
Additions	991,577	28,908,409
Write-down	—	(3,693,413)
	61,060,004	60,068,427
Accumulated amortization		
Balance at beginning of year	24,585,215	16,657,393
Amortization (Notes 15 and 19)	12,162,848	11,621,235
Write-down	—	(3,693,413)
	36,748,063	24,585,215
	₱24,311,941	₱35,483,212

Amortization charged to the parent company statements of income is presented under "Cost of Services" (Note 15).

13. Trade and Other Payables

This account consists of:

	2022	2021
Financial liabilities		
Accounts payable	₱10,625,641	₱2,489,615
Accrued expenses	2,557,417	2,916,376
	13,183,058	5,405,991
Nonfinancial liabilities		
VAT payable	4,473,303	4,065,574
Withholding taxes payable	1,194,139	210,822
Statutory payable	605,002	515,080
	6,272,444	4,791,476
	₱19,455,502	₱10,197,467

Accounts payable consists of amounts due to suppliers for purchased equipment and software costs.

Accrued expenses include unpaid operating expenses such as management and professional fees and accrued vacation leave.

Statutory payable includes accrual of regulatory remittances to Social Security System, Philippine Health Insurance and Home Development Mutual Fund Corporation.



14. Equity

Capital Stock

As at December 31, 2022 and 2021, the Parent Company's capital stock consists of:

	2022		2021	
	Shares	Amount	Shares	Amount
Par value – ₱ 100 per share				
Authorized	₱5,000,000	₱500,000,000	₱5,000,000	₱500,000,000
Issued and outstanding				
Beginning balance	3,856,473	385,647,300	3,019,481	301,948,100
Issuance of capital stock	183,995	18,399,500	1	100
Issuance of shares of stocks through stock dividends	724,084	72,408,400	409,240	40,924,000
Issuance of shares of stocks from settlement of subscriptions receivables	24,792	2,479,200	427,751	42,775,100
	4,789,344	₱478,934,400	3,856,473	₱385,647,300
Subscribed	₱30,252	₱ 3,025,200	₱22,167	₱2,216,700
Subscriptions receivable	–	(3,025,200)	–	(2,216,700)
	₱30,252	₱–	₱22,167	₱–

Dividends

In 2022 and 2021, the Parent Company declared and recorded dividends below:

Date of declaration	Cash dividends		Record date
	Per share	Total amount	
December 9, 2022	₱2.25	₱10.84 million	December 13, 2022
September 12, 2022	₱7.50	₱33.63 million	September 13, 2022
April 8, 2022	₱4.00	₱38.79 million	April 11, 2022
October 8, 2021	₱2.21	₱8.58 million	October 11, 2021
August 13, 2021	₱4.00	₱29.84 million	August 13, 2021
March 12, 2021	₱7.50	₱11.36 million	March 19, 2021

Date of declaration	Stock dividends		Record date
	Type	Total amount	
September 12, 2022	Common	₱33.62 million	September 13, 2022
April 8, 2022	Common	₱38.79 million	April 12, 2022
August 13, 2021	Common	₱14.92 million	August 19, 2021
March 12, 2021	Common	₱26.00 million	March 19, 2021

Subscription Receivable

Subscription receivable is a contra-account which pertains to the unpaid portion of the subscribed capital stock to the Company.

Capital Management

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

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



15. Service Income and Cost of Services

Service income

In 2022 and 2021, the service income earned by the Parent Company are the following:

	2022	2021
Software as a service	₱417,849,380	₱378,625,110
Project management service	1,921,123	2,863,709
One-time services	83,400	2,159,955
	₱419,853,903	₱383,648,774

The related contract balances arising from these services follow:

	2022	2021
Contract assets	₱479,527	₱217,199
Contract liabilities	(80,317)	(192,034)
	₱399,210	₱25,165

Contract assets are non-interest bearing and generally collectible within the next twelve months.

Contract liabilities pertain to deposits from customers upon contract execution and upon achievement of project milestones. These deposits are liquidated when revenue is recognized.

Cost of services

This account consists of direct costs attributable to rendering IT services incurred by the Parent Company as follows:

	2022	2021
IT expenses (Note 21)	₱42,589,703	₱43,064,581
Salaries, wages and other benefits (Notes 16 and 21)	38,880,174	33,284,164
Depreciation and amortization (Notes 11 and 12)	35,541,053	41,211,765
Postage, telephone, cables & telegrams	14,613,631	14,858,002
Power, light and water	3,814,349	1,529,932
Travelling expense	2,764,532	2,183,924
Program monitoring and evaluation	1,847,425	1,250,024
Staff training and development	1,038,664	497,095
Interest expense on lease liabilities (Note 18)	878,795	455,655
Rent expense (Note 18)	383,290	—
Others	925,792	511,201
	₱143,277,408	₱138,846,343

Others include fuel and lubricants, security and messengerial services, repairs and maintenance, supplies used, and other small-value expenses.



16. Salaries, Wages and Other Benefits

The Parent Company's salaries, wages and other benefits consist of:

	2022	2021
Salaries, wages and other benefits	₱33,141,590	₱29,007,372
Other short-term employee benefits	19,042,996	14,756,204
Retirement expense (Note 17)	1,205,679	1,083,269
	₱53,390,265	₱44,846,845

Salaries, wages and other benefits account is presented in the Parent Company's statements of income under the following:

	2022	2021
Cost of information technology services (Note 15)	₱38,880,174	₱33,284,164
General and administrative expense	14,510,091	11,562,681
	₱53,390,265	₱44,846,845

The Parent Company uses specific identification to allocate salaries, wages and other benefits into 'Cost of services' and 'General and administrative expenses'.

17. Retirement Benefits

The Parent Company, CARD MRI Development Institute, Inc., CARD Mutual Benefit Association (MBA), Inc., CARD SME Bank, Inc., CARD MRI Insurance Agency, Inc., CARD-Business Development Service Foundation, Inc., CARD Bank, Inc., CARD Employees Multi-Purpose Cooperative, BotiCARD Inc., CARD Leasing and Finance Corporation, RBI, CARD, Inc., Mga Likha ni Inay Inc., CARD MRI Astro Laboratories, Inc., CARD MRI Publishing House, Hijos Tours, and CARD Masikhay Consultancy Services, Inc., maintain a funded and formal noncontributory defined benefit retirement plan - the CARD MRI Multi-Employer Retirement Plan (MERP) - covering all of their regular employees and CARD Group Employees' Retirement Plan (Hybrid Plan) applicable to employees hired on or after July 1, 2016. MERP is valued using the projected unit cost method and is financed solely by the Bank and its related parties.

MERP and Hybrid Plan comply with the requirements of Republic Act 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 (6) months being considered as one whole year, upon retirement, death, total and permanent disability, or voluntary separation after completion of at least one year of service with the participating companies.

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 Employee Accumulated Value in Fund A be less than 100% of plan salary for every year of credited service.

As at December 31, 2022 and 2021, total retirement expense related to Hybrid Plan amounted to ₱1.21 million and ₱1.08 million, respectively, and is presented under 'Salaries, wages and other benefits' in the statements of income. The latest actuarial valuation report covers reporting period as at December 31, 2022 and 2021.



Changes in the Parent Company's net defined benefit asset (liability) in 2022 and 2021 follow:

2022												
	Net benefit cost in statements of income*				Benefits Paid from Plan Assets excluding settlements including transfers	Remeasurements in other comprehensive income						
	January 1	Current service cost	Net interest	Subtotal		Return on plan assets (excluding amount included in net interest)	Experience adjustments	Actuarial changes arising from changes in the effect of asset ceiling	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contribution by employer
Fair value of plan assets	₱38,084,036	₱–	₱1,932,334	₱1,932,334	(₱1,505,126)	(₱228,178)	₱–	₱–	₱–	₱–	(₱228,178)	₱818,867
Present value of defined benefit obligation	(20,585,631)	(1,903,563)	(1,053,984)	(2,957,547)	1,505,126	–	(4,196,673)	–	202,614	5,202,944	1,208,885	–
Asset ceiling	(3,524,717)	–	(180,466)	(180,466)	–	–	–	(1,614,485)	–	–	(1,614,485)	–
Net defined asset (liability)	₱13,973,688	(₱1,903,563)	₱697,884	(₱1,205,679)	₱–	(₱228,178)	(₱4,196,673)	(₱1,614,485)	₱202,614	₱5,202,944	(₱633,778)	₱818,867
												₱12,953,098

* The net benefit cost is recorded under 'Salaries, wages and other benefits' in the statement of income.

2021												
	Net benefit cost in statements of income*				Benefits Paid from Plan Assets excluding settlements including transfers	Remeasurements in other comprehensive income						
	January 1	Current service cost	Net interest	Subtotal		Return on plan assets (excluding amount included in net interest)	Experience adjustments	Actuarial changes arising from changes in the effect of asset ceiling	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contribution by employer
Fair value of plan assets	₱37,422,676	₱–	₱1,442,592	₱1,442,592	(₱1,476,107)	₱85,051	₱–	₱–	₱–	₱–	₱85,051	₱609,824
Present value of defined benefit obligation	(17,205,387)	(1,698,756)	(671,010)	(2,369,766)	1,476,107	–	(793,777)	–	98,256	(1,791,064)	(2,486,585)	–
Asset ceiling	(4,002,447)	–	(156,095)	(156,095)	–	–	–	633,825	–	–	633,825	–
Net defined asset (liability)	₱16,214,842	(₱1,698,756)	₱615,487	(₱1,083,269)	₱–	₱85,051	(₱793,777)	₱633,825	₱98,256	(₱1,791,064)	(₱1,767,709)	₱609,824
												₱13,973,688

In 2022 and 2021, transfers from the plan pertain to the transfer of employees from the Parent Company to other affiliates within other institutions in MERP.



The maximum economic benefit of plan assets available is a combination of expected refunds from the plan and reduction in future contributions. The fair value of plan assets by each class as at the end of the reporting period are as follow:

	2022		2021	
	Amount	%	Amount	%
Debt securities - government securities	₱26,843,477	68.65%	₱16,357,093	42.95%
Cash and cash equivalents	6,408,807	16.39%	15,515,436	40.74%
Loans	3,280,652	8.39%	3,221,909	8.46%
Unquoted debt securities	2,033,301	5.20%	2,125,089	5.58%
Other assets	535,696	1.37%	864,509	2.27%
Fair value of plan assets	₱39,101,933	100.00%	₱38,084,036	100.00%

All plan assets do not have quoted prices in active market except for government debt securities. Cash and cash equivalents are placed with reputable financial institutions and related parties and are deemed to be standard grade. Mutual fund, loans and other assets are unrated.

The plan assets have diverse investments and do not have any concentration risk other than those government debt securities which are considered low risk. The plan assets' cash and cash equivalents are held by affiliate banks.

The overall investment policy and strategy of the Parent Company's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plans.

The cost of defined retirement plan as well as the present value of the defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension for the defined benefit plan as of December 31 are shown below:

	2022	2021
Discount rates	7.26%	5.12%
Future salary increases	5.00%	5.00%

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

	2022		2021	
	Increase (decrease) in basis points	Increase (decrease) in present value of obligation	Increase (decrease) in basis points	Increase (decrease) in present value of obligation
Discount rates	+100 -100	(1,881,313) 2,203,725	+100 -100	(2,207,575) 2,640,861
Future salary increases	+100 -100	2,232,152 (1,935,752)	+100 -100	2,616,873 (2,229,322)

The average duration of the DBO is 9.8 years as at December 31, 2022.



Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2022 and 2021:

	2022	2021
Less than 1 year	₱1,472,093	₱1,103,674
More than 1 year to 5 years	8,204,955	6,386,483
More than 5 years to 10 years	14,522,857	12,388,087
More than 10 years to 15 years	15,294,325	13,845,494
More than 15 years to 20 years	19,928,653	15,066,410
More than 20 years to 25 years	25,464,661	21,700,949
More than 25 years	41,024,154	41,346,742

18. Leases

The Parent Company leases office spaces, vehicles, and IT equipment in which lease payments are subjected to escalation clauses ranging from nil to 10.00%. The lease contracts are for the periods ranging from one (1) to three (3) years and are renewable upon mutual agreement between the Parent Company and the lessors such as CARD Bank, Inc., CARD Leasing and Finance Corporation, and third-party lessors.

The Parent Company recognized rent expense amounted to ₱0.38 million and ₱0.30 million in 2022 and 2021, respectively. Rent expense in 2022 and 2021 pertains to expenses from short-term leases and leases of low-value assets.

In 2022 and 2021, the Parent Company recognized interest income arising from amortization of security deposit amounted to ₱0.01 million and ₱0.09, respectively.

As of December 31, 2022, and 2021, the Parent Company has no contingent rent payable.

The following are the amounts recognized in the Parent Company's statement of income:

	2022	2021
Depreciation expense of ROU assets included in property and equipment	₱4,952,380	₱8,835,375
Interest expense on lease liabilities	878,795	455,655
Lease payments relating to short-term leases and leases with low value assets	383,289	303,158
Total amount recognized in statement of income	₱6,214,464	₱9,594,188

The movements in the carrying amount of 'lease liabilities' follow:

	2022	2021
Balance at beginning of year	₱22,865,879	₱6,387,972
Additions	—	23,824,642
Interest expense	878,795	455,655
Payments	(5,267,101)	(7,802,390)
	₱18,477,573	₱22,865,879



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

	2022	2021
Within one year	₱4,731,175	₱4,388,307
Beyond one year	13,746,398	18,477,573
	₱18,477,573	₱22,865,880

19. Miscellaneous Expenses

This account consists of:

	2022	2021
Honorarium	₱867,298	₱717,778
Postage, telephone, cables and telegrams	710,531	280,669
Service fee	137,363	59,295
Membership fees and dues	71,600	121,500
Penalties and other charges	31,000	943,725
Banking fees	29,372	79,641
Donations and charitable contributions	24,500	24,700
Supervision and examination	19,208	106,688
Others	254,172	794,101
	₱2,145,044	₱3,128,097

Others include reimbursements for medical expenses of employees, service fee for installation and delivery, and petty cash expenses.

20. Income Taxes

Income taxes include the corporate income tax, discussed below, and final tax paid at the rate of 20.00%, which represents final withholding tax on gross interest income from deposit substitutes. These income taxes, as well as the deferred tax benefits and provisions, are presented as “Provision for income tax” in the statements of comprehensive income.

Republic Act (RA) No. 10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2018 and took effect January 1, 2020, making new tax law enacted as of the reporting. Although the TRAIN changes existing law and includes several provisions that will generally affect the businesses basis, the Management assessed that the same will not have any significant impact on the financial statement balances as the reporting date.

In November 2020, the Philippine Senate approved Senate Bill (SB) No. 1357 and forwarded the same to the House of Representative in December 2021. SB No. 1357 also known as the Corporate Recovery and Tax Incentive Act (CREATE Bill) which reduces the corporate income tax from 30% to 25% effective July 2021 except for domestic corporations with net taxable income not exceeding ₱5,000,000 and with total assets not exceeding ₱100,000,000 (excluding land on which the particular business entity’s office, plant, and equipment are situated) which will be taxed at 20%. The bill also provides that effective July 1, 2020 to June 30, 2023, the MCIT will be lowered by 1%.



As of December 31, 2020, the Company did not consider the provisions of the bill yet in the tax computation as reported in the financial statement given that the law was only signed by the President of the Philippines on March 26, 2021. The Company started to use the new tax rate for the income tax computation in the first quarter of 2021.

RCIT rate is 25% in 2022 and 2021. Interest expense allowed as a deduction against taxable income shall be reduced by 20% in 2022 and 2021 of interest income subjected to final tax.

Current tax regulations also provide for the ceiling on the amount of entertainment, amusement, and recreation (EAR) expenses that can be claimed as deduction against taxable income. Under the regulation, EAR expenses allowed as deductible expense for a service company is limited to the actual EAR incurred or paid but not to exceed 1.00% of net revenue. The Company incurred EAR expenses amounting to nil in 2022 and 2021.

The Parent Company's provision for (benefit from) income tax consists of:

	2022	2021
Current	₱53,954,470	₱45,417,592
Deferred	131,133	2,318,310
Final	997,863	789,888
	₱55,083,466	₱48,525,790

Components of the net deferred tax assets (liabilities) shown in the statements of financial position follows:

	2022	2021
Deferred tax assets on:		
Unamortized past service cost	₱1,166,602	₱1,428,183
Right-of-use assets	906,573	765,555
Accrued other expenses	639,354	729,094
Unrealized foreign exchange losses	175,675	99,696
Contract liabilities	20,079	48,009
	2,908,283	3,070,537
Deferred tax liabilities on:		
Retirement asset	(3,238,275)	(3,493,422)
Contract asset	(119,881)	(54,300)
Unrealized gain on FVOCI	(1,157,137)	(593,272)
	(4,515,293)	(4,140,994)
	(₱1,607,010)	(₱1,070,457)

The income tax effect arising from retirement asset recognized in 2022 and 2021 in other comprehensive income amounted to a provision of ₱0.16 million and ₱0.44 million, respectively.

The income tax effect arising from unrealized gain on financial assets at FVOCI investments recognized in statement of other comprehensive income amounted to a benefit of ₱0.56 million and ₱0.59 million in 2022 and 2021, respectively.



Reconciliation of the Parent Company's statutory income tax to effective income tax follows:

	2022	2021
Statutory income tax	₱61,505,079	₱54,063,293
Tax effects of:		
Non-taxable income	(6,075,925)	(2,537,654)
Interest income subject to final tax	(345,688)	(260,948)
Nondeductible expense	—	205,804
Implementation of CREATE Law	—	(2,944,705)
Effective income tax	₱55,083,466	₱48,525,790

21. 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. The Parent Company's related parties include:

- key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members;
- post-employment benefit plans for the benefit of the Parent Company's employees; and
- affiliates of the Parent Company.

The Parent Company has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and did not involve more than the normal risk of collectability or present other unfavorable conditions.

Transactions with retirement plans

Under PFRS, certain post-employment benefit plans are considered as related parties. CARD-MRI's MERP is a stand-alone entity assigned in facilitating the contributions to retirement starting 2005.

Other related party transactions

Transactions between the Parent Company and its key management personnel meet the definition of related party transactions. Transactions between the Parent Company and its affiliates of the subsidiary also qualify as related party transactions.

Following are the related party transactions entered by the Parent Company:

	2022		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Subsidiary			
Subscription payable	(₱10,000,000)	₱14,012,500	Represents payable for share of stocks
Others			
Cash and cash equivalents		260,679,782	Current and time deposits accounts earning annual interest rate ranging from 0.01% to 3.80%
Short-term investments		45,955,041	Treasury bills with maturities of more than three months but less than one (1) year and with interest ranging from 3.88% to 4.08%.
Trade receivables		—	Billings of service fee and other charges by the Parent Company to related parties, payable on demand
Charges to affiliates	228,808,385		
Collections	(228,808,385)		

(forward)



2022			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Advances for stock subscription	₱	₱3,388,500	Deposit for future stock subscription of CARD SME Bank, Inc.
Refundable deposits		414,759	Pertain to the rental deposits of the Parent Company
Financial assets at FVOCI		131,469,405	Pertain to the investments in affiliates irrevocably assigned by the Parent Company as financial assets at FVOCI.
Long-term time deposit		20,000,000	Pertains to the 5-year time deposit placed by the Parent Company
Service income	202,810,142		Income earned from IT services provided by the Parent Company to related parties
Interest income	3,838,510	—	Represents the interest income earned from current and time deposits
2021			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Subsidiary			
Subscription payable	(₱23,800,000)	₱24,012,500	Represents payable for share of stocks
Others			
Cash and cash equivalents		212,394,785	Current and time deposits accounts earning annual interest rate ranging from 0.05% to 4.25%
Short-term investments		132,249,417	Time deposits with maturities of more than three months but less than one (1) year and with interest ranging from 1.75.00% to 4.25.00%.
Trade receivables		—	Billings of service fee and other charges by the Parent Company to related parties, payable on demand
Charges to affiliates	235,251,353		
Collections	(247,939,609)		
Advances for stock subscription	₱	₱2,620,700	Deposit for future stock subscription of CARD Bank, Inc.
Refundable deposits		1,559,138	Pertain to the rental deposits of the Parent Company
Financial assets at FVOCI		35,881,642	Pertain to the investments in affiliates irrevocably assigned by the Parent Company as financial assets at FVOCI.
Long-term time deposit		20,000,000	Pertains to the 5-year time deposit placed by the Parent Company
Service income	186,291,705		Income earned from IT services provided by the Parent Company to related parties
Interest income	4,447,843	—	Represents the interest income earned from current and time deposits

Remuneration of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Parent Company, directly or indirectly. Total remunerations of key management personnel are as follows:

	2022	2021
Within one year	₱3,138,240	₱2,725,860
Beyond one year	3,923,067	3,192,351
	₱7,061,307	₱5,918,211



22. Notes to Cash Flow Statements

The principal noncash activities of the Parent Company consist of:

	2022	2021
Non-cash investing activities		
Acquisition of property and equipment through lease (Note 11)	₱—	₱24,761,901
Non-cash financing activities		
Issuance of stock dividends (Note 14)	72,408,400	40,924,000

23. Approval of the Release of the Parent Company Financial Statements

The accompanying parent company financial statements were approved and authorized for issue by the Parent Company's BOD on April 24, 2023.

24. Supplementary Information under Revenue Regulations (RR) No. 15-2010

In compliance with the requirements set forth by RR 15-2010, hereunder are the details of 'Taxes and licenses' paid or accrued by the Parent Company in 2022.

Business permits and licenses	₱241,614
Documentary stamp tax	682,512
Others	25,904
	<u>₱950,030</u>

The following withholding taxes remitted in 2022 or outstanding as of December 31, 2022:

	Total remittances	Balance as at December 31, 2022
Expanded withholding taxes	₱2,135,696	₱283,215
Withholding tax on compensation and benefits	874,469	737,585
Final withholding taxes	1,082,537	173,339
	<u>₱4,092,702</u>	<u>₱1,194,139</u>

VAT

The National Internal Revenue Code of 1997 also provides for the imposition of VAT on sales of goods and services. Accordingly, the Parent Company's sales are subject to output VAT while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT. VAT rate is 12.00% effective February 1, 2006.



Details of the Parent Company's net sales/receipts output VAT and input VAT accounts in 2022 are as follow:

- a. Net sales/receipts and output VAT declared in the Parent Company's VAT returns filed in 2022:

	Net sales/receipts	Output VAT
Taxable sales:		
Service income	₱419,451,947	₱50,334,234

The output VAT declared in the Parent Company's VAT returns includes output VAT from unearned service income amounting to ₱0.01 million.

- b. Input VAT

Balance at beginning of period	₱5,528,032
Current year's domestic purchases/payments	11,932,355
Input tax used	(13,611,183)
Balance at end of period	₱3,849,204

Tax Assessment

In March 2021, the Parent Company settled the letter of authority from BIR for taxable year ended December 31, 2018.

The Parent Company received a letter of authority from BIR for taxable year ended December 31, 2019, to examine their books of accounts and other accounting records for all internal revenue taxes. The Parent Company has sent all the required documents on March 9, 2021. On September 15, 2021, the BIR requested additional documents. As of April 14, 2023, the BIR has not issued any formal assessments to the Parent Company.

On October 20, 2021, the Parent Company received additional letter of authority for taxable year ended December 31, 2020. Last September 2022, the BIR has visited the office to inspect documents as per their request. As of April 14, 2023, the BIR has not issued any formal assessments to the Parent Company.

As at December 31, 2022, there are no outstanding tax assessments and tax cases under investigations, litigations nor prosecution in courts or bodies outside the BIR.

