

# CARDMRI HIJOSTOURS ANNUAL REPORT 2020

BUILDING DIGITAL COMMUNITIES THROUGH OPTIMAL  
RESOURCES AND TECHNOLOGY-DRIVEN INITIATIVES



# CONTENTS

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- 04** ABOUT THE COVER
- 05** VISION AND MISSION

## **ACCOMPLISHMENTS**

- 06** MESSAGE FROM THE CHAIRPERSON AND PRESIDENT
- 10** 2020 IN NUMBERS
- 11** THIS IS OUR 2020

## **PEOPLE BEHIND HIJOS TOURS**

- 12** MANAGEMENT COMMITTEE
- 14** BOARD OF DIRECTORS
- 16** AREAS OF COVERAGE
- 18** OUR COMMUNITY

- 19** AUDITED FINANCIAL STATEMENTS



# ABOUT THE COVER

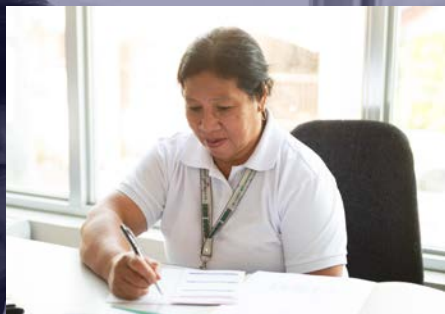


For the last three years, CARD MRI Hijos Tours has been supporting marginalized women and their families through its meaningful and fun tour programs. As a new era approaches and a New Normal begins, we continue our mission to eradicate poverty armed with optimal resources that will help us achieve our ultimate goal. This 2020, we chose a new path paved with innovations that had proven to be effective in our journey to digitalization.

Our cover embraces the technology-driven initiatives of Hijos Tours and addresses the challenges of the pandemic by utilizing key digital strategies to continue our journey with our clients through our heritage tours.

The cover features Lorna Atienza, 62 years old, a former president of CARD MBA, as she holds one of the most important tools that Hijos Tours has devised to create a unique travel and tour experience at home, the 360° virtual reality (VR) heritage tour. The cover entails that there is no limitation as to who joins the VR tour, which can be integrated to the lives of the clients we serve to involve them in a unique tour experience that has the ability to transform the lives of our partner communities. Be they young or old, anyone can freely join our VR tour as it fulfills the goal of CARD MRI to support its clients through its tour programs. Meanwhile, the icons that emanate from the mobile device symbolize the digital communities that we have built to bridge the gaps in communication and encourage a collaborative approach between the mutually reinforcing institutions.

LORNA ATIENZA  
Client



# VISION

Hijos Tours is the most preferred travel and tours institution that is anchored in social enterprise and community development that celebrates local culture and impactful experience.

# MISSION

Hijos Tours is committed to:

- **Building communities by engaging local resources, talents, and skills;**
- **Presenting travelers with impactful, culturally relevant experience; and**
- **Be the primary ambassador promoting CARD MRI as a social development organization.**



## GOING BACK TO OUR PURPOSE

Message from the  
Chairperson and President



in its place came challenges after challenges that we had to face. Still, CARD MRI Hijos Tours has proven to be resilient in every way we can, and we continue to move forward bound by our mission to promote Philippine tourism while empowering the families we serve.



**MS. MARILYN M. MANILA**  
Chairperson and President



### Embracing our digital initiatives

Without a doubt, Hijos Tours has quickly adapted to its digitization measures, and this transition from physical to digital is at the forefront of what we do. There are three major tour programs that jump-started our digitization, and these are our Travel Goals in a Box, Virtual Reality (VR) Tour, and HISTORYa Kita! online history class.

With 718 boxes already distributed, our Travel Goals in a Box allows travelers to explore San Pablo City in Laguna in the comfort of their homes with souvenirs, food products, and the 360° Virtual Reality glasses. These items are sourced directly from the microfinance clients of CARD

**P**hysical tours are one of the most essential programs we have for our clients. It brings them to places they have never been before, allows them to witness the wonders of the Philippines, gives them the opportunity to learn stories of food, places, and people, and most importantly, it supports the livelihood of the micro, small, and medium enterprises we ultimately support. It is what we live and breathe for.

Alas, the onset of the COVID-19 pandemic changed everything for us. Our physical tours halted, and

MRI and are curated based on the narrative of our program. In San Pablo City, there's women empowerment and poverty eradication.


We integrated the travel box into the VR Tour to make it a more inclusive experience for everyone. We also wanted our clients to feel as though we have transported them to San Pablo City once they have opened the box. The Travel Goals in a Box, later on, evolved into two more interactive boxes which are the "Paint-Your-Own Box" that lets the clients learn how to paint their Barong, fan, and pouch alongside Local Lumbeneño Painter Elizabeth De Lumban Agarao and "Weave Your Own" using Tikog with the help of the SMEs from Saob Cave in Basey, Samar.

To give our clients a deeper understanding of our programs, we also have the HISTORYa Kita! online history class, which we have created for those who want an extensive and interactive learning experience. One hundred three (103) TraveLearners in total have already enrolled in the online history class.

### **Understanding our social movement**

As we converge the new and the traditional media, we made sure

that no one gets left behind. We always take into consideration the communities we serve and tell ourselves to always go back to our purpose. "Why are we doing this and to whom are we doing this for?" These are just two of the questions we ask ourselves while creating these programs for our clients. We need to dream for them, but instead of dreaming big, we should dream deep. Although restrictions are in place, there is nothing that can stop us from ushering our clients to become part of a social movement – of understanding women empowerment and supporting our efforts on poverty eradication. We need to convey the message that their participation does not stop with the pandemic at hand. It only begins there.



**As we converge the new and the traditional media, we made sure that no one gets left behind. We always take into consideration the communities we serve and tell ourselves to always go back to our purpose.**

Our merchandise, for example, is inspired by the lessons we learned during the VR Tour. We are producing this to exhibit the talents of our budding artists, who, in turn, generate extra income from the incentives we provide. This is the support we would like to give them.


Lastly, while this year has pushed us to adjust our sails based on the current situation, the year 2020 has also taught us to get out of our shells by learning from the experts and grabbing the many learning opportunities we can find online. We took advantage of learning materials so that nothing will truly hinder us from exploring all there is to explore in our endeavors. Growing is a huge part of learning, and this is something that shouldn't stop.

Now we ask, "Are we still on track with our purpose of providing a meaningful and fun tour experience for our clients?" As long as we involve our clients in our social movements and advocacies like women empowerment, poverty

eradication, innovation, resiliency, and nation-building, then we are on track. This sets us apart from other tour companies.

### **Bolstering our digital communities**

To support our tour guides during the pandemic, we have transitioned them into e-tour guides who became a part of our digital community. They accompanied our travelers digitally through our VR Tour and online history class, which we have first



**As long as we involve our clients in our social movements and advocacies like women empowerment, poverty eradication, innovation, resiliency, and nation-building, then we are on track.**



launched in June 2020. This is also the time when we discussed about women in San Pablo, followed by a 30-minute tour of the city.

To immortalize and strengthen our relationship with the communities we serve and work with, we have also been more active in our social media accounts like Facebook, Instagram, YouTube, and TikTok. We figured that relying on each other's networks is the fastest way to reach and engage our market. Our digital presence became more extensive now more than ever; and because we have utilized social media the most, opportunities came to us. We won in Nayong Pilipino Foundation's Rhizomatic Interventions Project where we shared our digital initiatives. This has ultimately widened the outreach of CARD MRI into the digital space as people now recognize us not only for our banking institutions but as what we really are, a heritage tour provider.

Hijos Tours have also been featured in Department of Tourism Secretary Bernadette Romulo-Puyat's presentation as one of the most innovative programs made by a tourism-related establishment. We are happy that many people have now been following us because of this.

Consequently, we will continue our initiatives for this year 2021. I am grateful and happy to report that whenever physical tours begin to operate, we are ready. Again, we will converge the traditional and the digital to make their experience more holistic. We will persevere to promote not just Hijos Tours but San Pablo City in general so that travelers will begin to see the "City of Seven Lakes" not just as a place for leisure but as a destination filled with heritage stories and vibrant culture and tradition. We will make sure our travelers won't forget us.

**31**  
TOURS CONDUCTED

**693**  
TRAVELERS

**6**  
STAFF

**2**  
OFFICES



**1,720**  
Virtual Reality Tours



**890**  
Travel Goals in a Box



**178**  
Online History Class



**103**  
HIJOS MERCHANDISE



**5**  
E-EVENTS

# 2020 IN NUMBERS



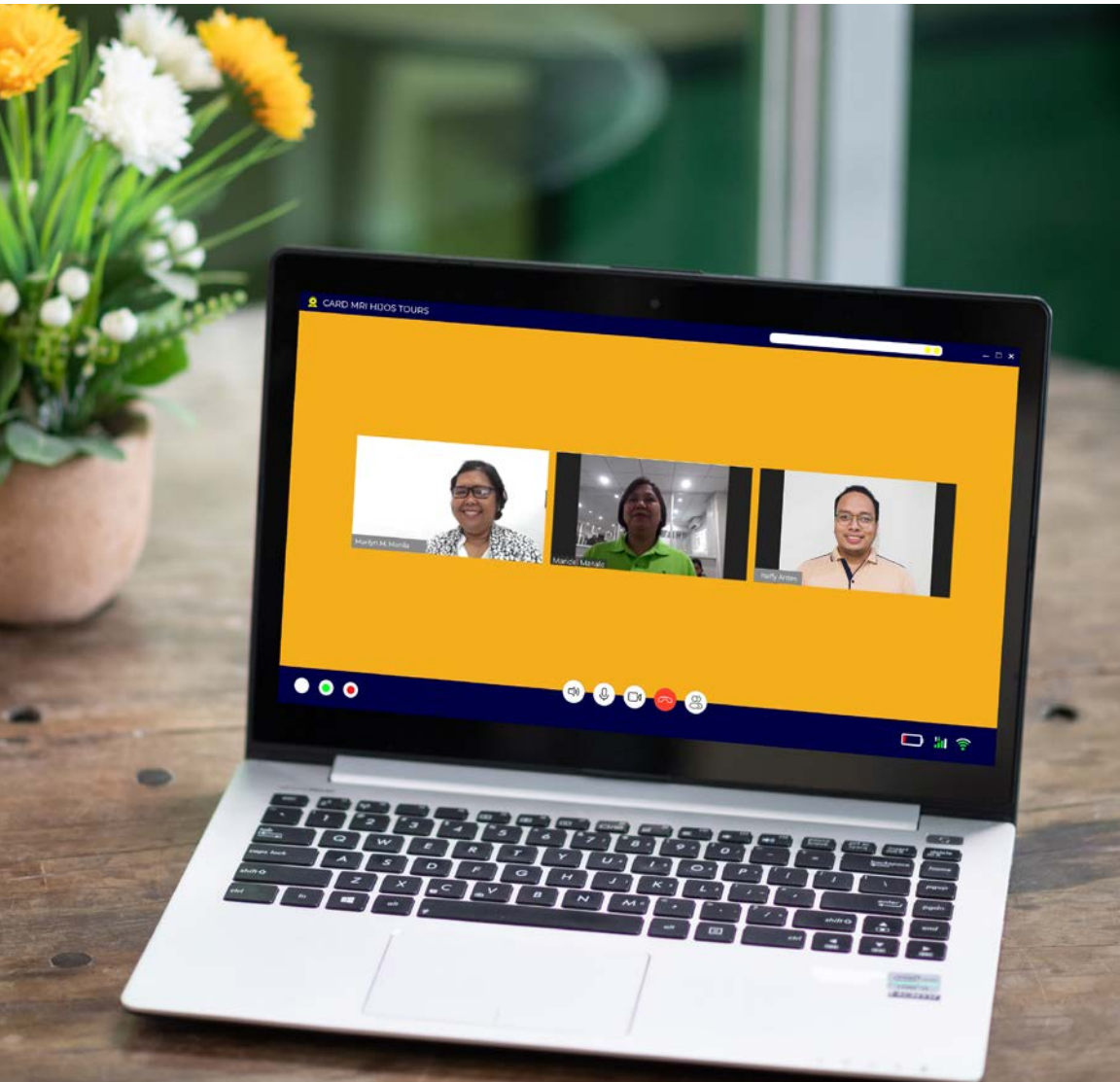
# MANAGEMENT COMMITTEE

**MS. MARILYN M. MANILA**  
President

**MS. MARIDEL A. MANALO**  
Deputy Director for Admin and Finance

**MR. RAFFY M. ANTES**  
Deputy Director for Operations





# BOARD OF DIRECTORS

**MS. MARILYN M. MANILA**  
Chairperson and President

**MS. MAY S. DAWAT**  
Vice Chairperson

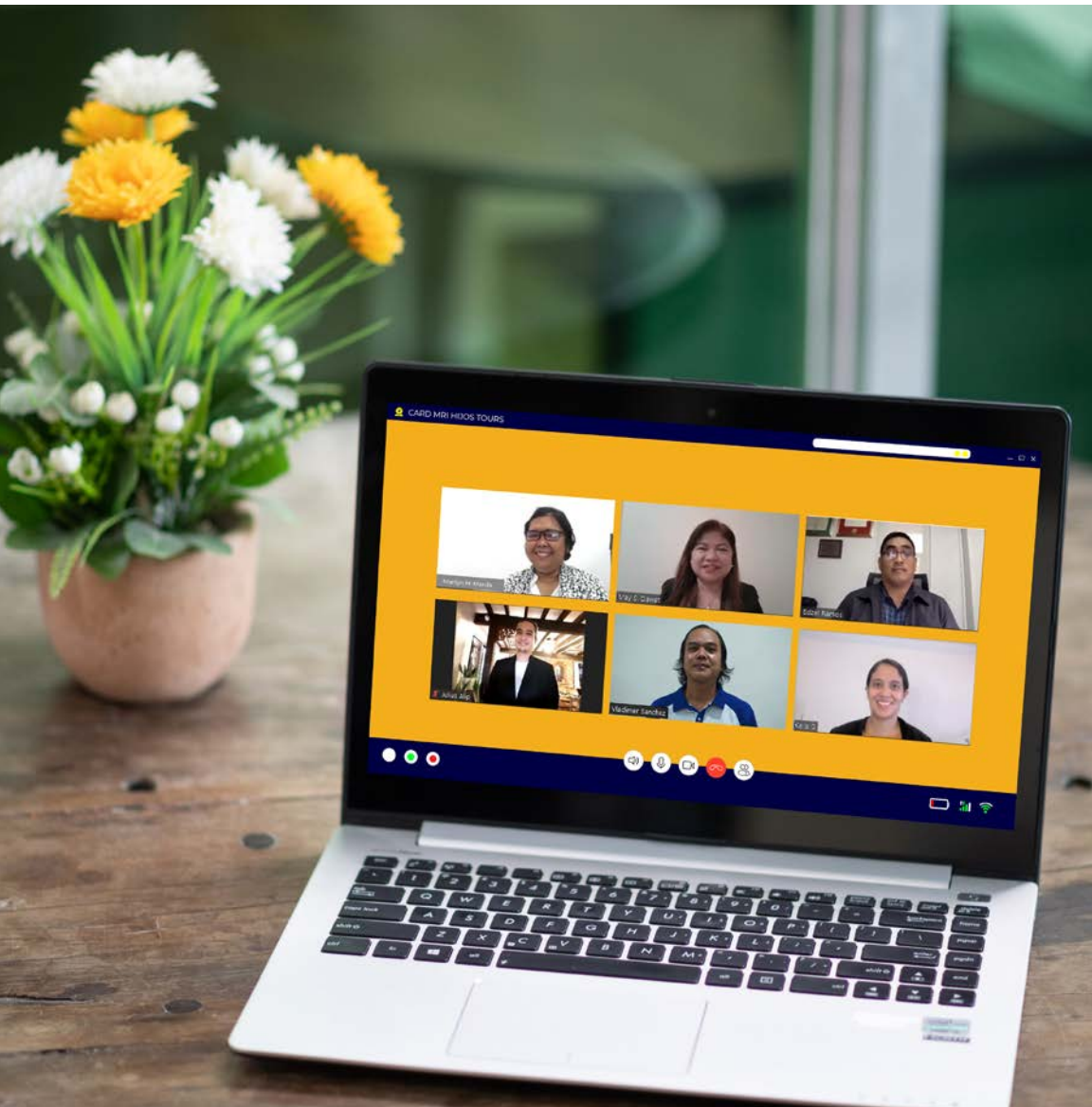
**DR. EDZEL A. RAMOS**  
Director

**MR. JULIUS ADRIAN R. ALIP**  
Director

**MR. VLADIMIR D. SANCHEZ**  
Director

**MS. MA. KARINA V. GARILAO**  
Director





# OUR AREA OF COVERAGE





**HEAD OFFICE**  
**Branch**

**San Pablo City, Laguna**  
**Davao City**

**Tour Programs**

**Hijos de Siete Lagos**  
San Pablo City, Laguna

**Hijos de las Campanas**  
Leyte and Samar Provinces

**Hijos de los Rios**  
Iloilo City

**Hijos de los Montañas**  
Baguio City

**Hijos de las Aguilas**  
Davao City

# OUR COMMUNITY

## Tour Guides

Nanette Domingo  
Jeannelyn Eco  
Ma. Melfin Caluyo  
Sherlita Peritos  
Haydee Mosquera  
Evelyn Desantores  
Evelyn Pelayo  
Ernalyn Tolibas  
Larry Rambacod  
Cherill Gonzales

## Food Suppliers

Ellen Angcanan  
Forest Wood Garden  
Panaderia de Molo  
Biscocho Haus  
Merzci  
Deocampo's  
Balay Nga Bato

## Artists

Cyrene Lubigan  
Venazir Martinez  
JC Ranario  
Paula Lorene Valenzuela  
Nicole Audrei Rilles  
PJ Umandap  
Nicole Umandap  
Kyle Faith Manapol  
Andrei Belarmino

## Other Services

Netchievy Nerves  
Mark Angelo Nato  
Ma. Hasmin Austria  
Elizabeth Agarao  
Adrian Peritos  
House of Ekolife  
Mark Joaquin Ruiz  
Oryspa Spa Solutions, Inc.  
Angelou Jickain  
Ishie Fernandez  
Novark Printing Shop  
MVKR Bags

**AUDITED  
FINANCIAL  
STATEMENTS**

**2020**

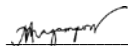
A hand is shown holding a glowing blue square. The background features a dark blue diagonal line with white dashed lines, and a bar chart with several vertical bars of varying heights. The overall aesthetic is modern and professional.

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR ANNUAL INCOME TAX RETURN**

The Management of CARD MRI Hijos Tours Inc. is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2020. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2020 and the accompanying Annual Income Tax Return are in accordance with the books and records of CARD MRI Hijos Tours Inc., complete and correct in all material respects. Management likewise affirms that:

- (a) The Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) Any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) CARD MRI Hijos Tours Inc. has filed all applicable tax returns, reports, and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.



**Marilyn M. Manila**

President



**Lousel E. Cortes**

Treasurer

Signed this 23<sup>rd</sup> day of March 2021

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A member of CARD MRI  
M.L. Quezon Street, City Subdivision, San Pablo City, Laguna  
Tel. No. 049-562 4309  
Email: hijostours@cardmri.com

**ENDRIGA, MANANGU & ASSOCIATES**

Certified Public Accountants  
U.1010 Wilshire Plaza, 11 Annapolis St., Greenhills, San Juan, MM  
Tel.: (02) 8724 2146

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**INDEPENDENT AUDITOR'S REPORT  
TO ACCOMPANY INCOME TAX RETURN**

**The Board of Directors and Stockholders**

**CARD MRI Hijos Tours, Inc.**

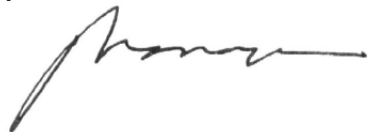
M.L. Quezon St., City Subdivision  
San Pablo City, Laguna

We have audited the financial statements of CARD MRI Hijos Tours, Inc. (the Company), for the year ended December 31, 2020, on which we have rendered our auditors' report dated March 23, 2021.

In compliance with Revenue Regulations V-20, we are stating that no partner of our firm is related by consanguinity or affinity to the principal officers or members of the Board of Directors of the Company.

ENDRIGA, MANANGU & ASSOCIATES

By:



SEVERINO M. MANANGU

Partner

TIN: 102-091-358

PRC CPA Reg. No.: 29567; license valid until Nov. 1, 2022

PRC-BOA Acc. No.: 4187 (Firm/Partner), valid until Sep. 28, 2023

BIR Acc. No. (Firm/Partner): 07-100200-001-2020, valid until Nov. 22, 2023

SEC Acc. No. (Firm): 4187-SEC Group B, valid until March 29, 2022

SEC Acc. No. (Partner): 29567-SEC Group B, valid until March 29, 2022

PTR No.: SJ1478467, issued on Jan. 11, 2021 in the City of San Juan

March 23, 2021

City of San Juan, Metro Manila

## ENDRIGA, MANANGU & ASSOCIATES

Certified Public Accountants  
U.1010 Wilshire Plaza, Annapolis St., Greenhills, San Juan, MM  
Tel.: (02) 8724 2146

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### SUPPLEMENTAL WRITTEN STATEMENT OF INDEPENDENT AUDITOR ON NUMBER OF STOCKHOLDERS OWNING 100 OR MORE SHARES

#### The Board of Directors and Stockholders

#### CARD MRI Hijos Tours, Inc.

M.L. Quezon St., City Subdivision  
San Pablo City, Laguna

We have audited the financial statements of CARD MRI Hijos Tours, Inc. for the year ended December 31, 2020, on which we have rendered the attached report dated March 23, 2021.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the said company has a total number of four (4) stockholders owning one hundred (100) or more shares.

ENDRIGA, MANANGU & ASSOCIATES

By:



SEVERINO M. MANANGU

Partner

TIN: 102-091-358

PRC CPA Reg. No.: 29567; license valid until Nov. 1, 2022

PRC-BOA Acc. No.: 4187 (Firm/Partner), valid until Sep. 28, 2023

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March 23, 2021

City of San Juan, Metro Manila

**CARD MRI Hijos Tours Inc.**

Financial Statements

December 31, 2020 and 2019

and

Independent Auditor's Report

**ENDRIGA, MANANGU & ASSOCIATES**

Certified Public Accountants

**CARD MRI Hijos Tours Inc.**  
**STATEMENTS OF FINANCIAL POSITION**

As of December 31

	Notes	2020	2019 (As restated)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	3, 5	P 1,877,770	P 2,647,535
Receivables	3, 6	104,889	290,212
Other current assets	3, 7	121,348	41,461
Total Current Assets		2,104,007	2,979,208
<b>Noncurrent Asset</b>			
Office equipment - net	3, 8	10,133	15,867
<b>TOTAL ASSETS</b>		<b>P 2,114,140</b>	<b>P 2,995,075</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accrued expenses and other payables	3, 10, 15	P 314,093	P 289,602
Income tax payable	3, 13	-	18,729
Due to affiliates	3, 14	2,024	7,702
Total Current Liabilities		316,117	316,033
<b>Noncurrent Liability</b>			
Retirement liability	3, 9	583,712	547,004
<b>STOCKHOLDERS' EQUITY</b>			
Capital stock	3, 11	2,000,000	2,000,000
Retained earnings (Deficit)		(785,689)	132,038
Total Stockholders' Equity		1,214,311	2,132,038
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>P 2,114,140</b>	<b>P 2,995,075</b>

See accompanying Notes to Financial Statements.



**CARD MRI Hijos Tours Inc.**  
**STATEMENTS OF INCOME**

		For the Years Ended December 31	
	Notes	2020	2019
<b>SERVICE REVENUE</b>	3	<b>P 3,621,903</b>	P 5,688,884
<b>COST OF SERVICES</b>	3	<b>1,356,604</b>	2,200,439
<b>GROSS INCOME</b>		<b>2,265,299</b>	3,488,445
<b>OPERATING EXPENSES</b>			
Salaries and wages		<b>1,870,965</b>	1,034,493
Transportation and travel		<b>215,570</b>	225,599
Office supplies		<b>160,119</b>	135,652
Staff training and development		<b>121,300</b>	92,976
Seminars and meetings		<b>103,285</b>	179,779
Program, monitoring and evaluation		<b>102,176</b>	461,976
Retirement expense	3, 9	<b>86,057</b>	2,848
Taxes and licenses		<b>77,053</b>	210,015
Rent		<b>33,804</b>	26,502
Insurance expense		<b>15,286</b>	75,982
Depreciation expense	3, 8	<b>5,733</b>	1,433
Miscellaneous expense	12	<b>340,956</b>	247,534
		<b>3,132,304</b>	2,694,789
<b>OPERATING INCOME (LOSS)</b>		<b>(867,005)</b>	793,656
<b>OTHER INCOME (CHARGES)</b>			
Remeasurement loss on retirement asset	3, 9	<b>(28,475)</b>	(568,105)
Interest income	3, 5	<b>28,823</b>	16,467
Other income		<b>1</b>	7
		<b>349</b>	(551,631)
<b>INCOME (LOSS) BEFORE INCOME TAX</b>		<b>(866,656)</b>	242,025
<b>PROVISION FOR INCOME TAX</b>	3, 13	<b>51,071</b>	242,247
<b>NET LOSS AFTER INCOME TAX</b>		<b>P (917,727)</b>	P (222)

*See accompanying Notes to Financial Statements.*

**CARD MRI Hijos Tours Inc.**  
**STATEMENTS OF CHANGES IN EQUITY**

As of December 31

	Common Stock (Note 11)	Retained Earnings (Deficit)	Total
<b>At January 1, 2020</b>	<b>2,000,000</b>	<b>116,643</b>	<b>2,116,643</b>
<b>Prior period adjustment (Note 15)</b>	-	<b>15,395</b>	<b>15,395</b>
<b>As restated</b>		<b>132,038</b>	<b>2,132,038</b>
<b>Net loss for the year</b>	-	<b>(917,727)</b>	<b>(917,727)</b>
<b>At December 31, 2020</b>	<b>P 2,000,000</b>	<b>P (785,689)</b>	<b>P 1,214,311</b>
As at January 1, 2019	P 1,100,020	P 109,680	P 1,209,700
Effects of the transition to PFRS for SEs (Note 2)	-	7,185	7,185
At January 1, 2019 (As restated)	1,100,020	116,865	1,216,885
Issuance of common stock	899,980	-	899,980
Net loss for the year	-	(222)	(222)
At December 31, 2019	P 2,000,000	P 116,643	P 2,116,643

*See accompanying Notes to Financial Statements.*

**CARD MRI Hijos Tours Inc.**  
**STATEMENTS OF CASH FLOWS**

		For the Years Ended December 31	
	Notes	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income (loss) before income tax	P	(866,656)	P 242,025
Adjustments for:			
Remeasurement loss on retirement asset	9	28,475	568,105
Interest income	5	(28,823)	(16,467)
Depreciation expense	8	5,733	1,433
Retirement expense, net of contributions paid	9	8,233	2,848
Operating income before working capital changes		(853,038)	797,944
Changes in operating assets and liabilities			
Decrease (increase) in:			
Receivables	6	185,324	207,905
Other current assets	7	(79,887)	38,804
Increase (decrease) in:			
Due to affiliates	14	(5,678)	54,746
Accrued and other expenses payable	10	24,491	(288,670)
Net cash provided by (used in) operations		(728,788)	810,729
Interest received	5	28,823	16,467
Income taxes paid	13	(69,800)	(223,518)
Net cash provided by (used in) operating activities		(769,765)	603,678
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of office equipment	8	-	(17,300)
Net cash used in investing activities		-	(17,300)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of common stock	11	-	899,980
Net cash provided by financing activities		-	899,980
<b>NET INCREASE (DECREASE) IN CASH</b>		(769,765)	1,486,358
<b>CASH AT BEGINNING OF YEAR</b>		2,647,535	1,161,177
<b>CASH AT END OF YEAR</b>	P	1,877,770	P 2,647,535

*See accompanying Notes to Financial Statements.*

**CARD MRI Hijos Tours Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**As of and for the years ended December 31, 2020 and 2019**

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**1. General Information**

CARD MRI Hijos Tours Inc. (the Company), was incorporated and duly registered with the Securities and Exchange Commission (SEC) on July 11, 2017. The Company's primary purpose are: (a) to provide a heritage tour program for local, inbound and outbound tours; (b) to create a venue for inclusive tourism where CARD clients and their families will be involved; and (c) to share the CARD MRI story and heritage sites in different parts of the country and help in the promotion on country's tourism.

The Company is a member of Center for Agriculture and Rural Development (CARD) - Mutually Reinforcing Institutions (MRI).

The Company's principal office is located at M.L. Quezon Street, City Subdivision, San Pablo City, Laguna.

COVID-19 Impacts and Subsequent Events

Since December 31, 2019 to December 31, 2020, the spread of COVID-19 has severely impacted many economies around the globe. In many countries, businesses were forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. In the Philippines, varying quarantine measures were implemented beginning on March 17, 2020.

The Company's management has assessed and addressed the impacts of COVID-19. As at December 31, 2020, all COVID-19 determinable impacts on the Company's 2020 financial statements that are adjusting events have been adjusted. Other determinable subsequent events that were not adjusting events have been disclosed as needed.

The Company was severely affected by the COVID-19 travel restrictions imposed by the government. Management has made plans for the resumption of its tours soon. Management is also looking at increasing its capitalization.

Uncertainties due to COVID-19 still exist as the pandemic continues. It has or may have impacts that are not determinable at this time, hence, are not reflected in the financial statements. Even so, management confirms the validity of the going concern assumption for the Company.

As at December 31, 2019, the Company has determined that the COVID-19 events were non-adjusting subsequent events. Accordingly, the Company's financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact.



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## 2. Financial Reporting Framework

### Basis of Preparation

The Company's financial statements have been prepared under the historical cost basis. The financial statements are presented in Philippine peso (P), which is the Company's functional currency. All amounts are rounded to the nearest peso unless otherwise stated.

### Statement of Compliance

The financial statements of the Company have been prepared in accordance with the Philippine Financial Reporting Standards for Small Entities (PFRS for SEs) as approved by the Financial Reporting Standards Council, Board of Accountancy and the Securities and Exchange Commission (SEC).

The financial statements as of and for the year ended December 31, 2019 are the first financial statements prepared by the Company in accordance with the PFRS for SEs. In preparing these financial statements, the Company's opening statement of financial position was prepared as of January 1, 2019, the Company's transition date to the PFRS for SEs from the PFRS for SMEs.

### *Application of the PFRS for Small Entities*

The Company's financial statements for the year ended December 31, 2019 are its first annual financial statements under accounting policies that comply with the PFRS for SEs. The Company prepared its opening PFRS for SEs statement of financial position on January 1, 2019, its transition date.

### *Reconciliations*

The following reconciliations show the effect on the Company's equity of the transition from the PFRS for SMEs to the PFRS for SEs as at January 1, 2019.

Reconciliation of equity:

	Jan. 1, 2019
Capital Stock	P 1,100,020
Retained Earnings (RE):	
Total Retained Earnings under PFRS for SMEs	109,680
<i>Transition adjustments:</i>	
Derecognition of deferred taxes	7,185
Total Retained Earnings under PFRS for SEs	P 116,865
Total Equity under PFRS for SEs	P 1,216,885

### *Explanation of transition to the PFRS for SEs*

#### *i. Deferred taxes*

The income tax expense includes current and deferred taxes under PFRS for SMEs. PFRS for SEs allows entities not to recognize deferred taxes, which management opted to apply.

#### *ii. Retirement benefit*

PFRS for SEs only requires an entity to use the accrual approach in calculating benefit obligations in accordance with Republic Act (RA) 7641, The Philippine Retirement Pay Law, or company policy (if superior than RA 7641). Management believes that the Company's retirement plan, for which actuarial valuation is made as basis of retirement plan accounting, is superior than that required under RA 7641.

### *Functional and Presentation Currency*

These financial statements are presented in Philippine Peso, the currency of the primary economic environment in which the Company operates. All amounts are rounded to the nearest peso, except when otherwise indicated.

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### **3. Summary of Significant Accounting Policies**

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

#### *Cash*

Cash includes cash on hand and in bank and is carried in the statement of financial position of nominal amount. Cash in bank represents savings deposit in a bank that earns interest at the respective bank deposit rates.

#### *Financial Instruments*

The Company classifies its financial instruments as either basic financial instruments or other financial instruments. Financial instruments are recognized only when the Company becomes a party to the contractual provisions of the contract.

#### *Basic Financial Instruments*

The Company's basic financial assets and liabilities are measured initially at transaction price (including transaction costs).

### *Basic Financial Instruments at amortized cost*

The amortized cost of a financial instrument at the end of each reporting period is computed as the net of the amount at which the financial instrument is measured at initial recognition, minus any repayments of the principal, plus or minus the cumulative amortization using the effective interest method of any difference between the amount at initial recognition and the maturity amount, minus, in the case of a financial asset, any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

### *Effective Interest Method*

The effective interest method is a method of calculation of the amortized cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the carrying amount of the financial asset or financial liability. The effective interest rate is determined on the basis of the carrying amount of the financial asset or liability at initial recognition.

Under the effective interest method, the amortized cost of a financial asset (liability) is the present value of future cash receipts (payments) discounted at the effective interest rate; and the interest expense (income) in a period equals the carrying amount of the financial liability (asset) at the beginning of a period multiplied by the effective interest rate for the period.

### *Basic Financial Instruments measured at undiscounted amount*

Short term debt instruments are measured at undiscounted amount of the cash or other consideration expected to be paid or received (i.e. net of impairment).

Cash is included in this category.

### *Basic Financial Instruments measured at lower of cost or fair value*

The Company has no basic financial instruments measured at lower of cost or fair value at the end of each reporting period.

### *Impairment of Financial Assets Measured at Cost or Amortized Cost*

At the end of each reporting period, the Company assess whether there is objective evidence of impairment of any financial assets that are measured at cost or amortized cost. If there is objective evidence of impairment, the Company recognize an impairment loss in profit or loss immediately.

Objective evidence that a financial asset or group of assets is impaired includes observable data that come to the attention of the Company about the following loss events:

- A breach of contract by the debtor, such as default or delinquency in interest or principal payments

- The Company, for economic or legal reasons relating to the debtor's financial difficulty, granting the debtor a concession that the Company would not otherwise consider; or
- Significant financial difficulty of the debtor or the issuer or it has become probable that the debtor or the issuer will enter bankruptcy or other financial reorganization.

For an instrument measured at amortized cost, the impairment loss is the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If such a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that the entity would receive for the asset if it were to be sold at the reporting date.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the Company reverses the previously recognized impairment loss either directly or adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset (net of allowance account) that exceeds what the carrying amount would have been had the impairment not previously recognized. The Company recognizes the amount of reversal in profit or loss immediately.

#### *Derecognition of financial assets*

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or are settled, or when it transfers the financial asset and substantially all of the risks and rewards of ownership of the financial asset to another entity.

#### *Derecognition of financial liabilities*

The Company derecognizes a financial liability (or a part of a financial liability) only when it is extinguished or when the obligation specified in the contract is discharged, is cancelled or has expired.

Any difference between the carrying amount of the financial liability (or any part of financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed are recognized in profit or loss.

#### Inventories

Inventories are stated at the lower of cost and its market value. Costs of inventories include all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

#### Other Current Assets

Other current assets represent assets of the Company which are expected to be realized or consumed within one year or within the Company's normal operating cycle whichever is longer. Other current assets are presented in the financial position at cost.



### Property and Equipment

Property and equipment are tangible assets that are held for use in the supply or services and for administrative purposes, and are expected to be used during more than one period.

Items of property and equipment are initially measure at cost. Such cost includes purchase price and all incidental costs necessary to bring the asset to its location and condition. Subsequent to initial recognition, items of property and equipment are measured in the statement if financial position at cost less accumulated depreciation and any accumulated impairment losses. Depreciation, which is computed on a straight-line basis, is recognized so as to allocate the cost of assets less their residual values over their estimated useful lives.

If there is an indication that there has been a significant change in useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss is reflected in profit or loss for the period.

### Impairment of Non-Financial Assets

Non-financial assets are assessed at each reporting date to determine whether there is any indication that the assets are impaired. When an impairment indicated is identified, the carrying value of the asset is tested for impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. If the recoverable amount cannot be estimated for an individual asset, the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are independent of the cash flows from other assets within the Company.

If an impairment indicator no longer exists or the recoverable amount has increased subsequently, the Company will determine the amount of impairment loss that can be reversed to the extent that the reversal should not result in a carrying amount of the asset that is higher had no impairment loss was recognized in the prior years.

### Provisions and Contingencies

#### *Provisions*

Provisions are recognized only when the Company has an obligation as a result of a past event; it is probable that the Company will be required to transfer economic benefits in settlement; and the amount of obligation can estimated reliably.

Provisions are recognized initially at the best estimate of the amount required to settle the obligation. Subsequently, the Company charged to the provision only those expenditures for which the provision was originally recognized.

### *Contingent Assets and Liabilities*

Contingent assets and liabilities are not recognized in the statement of financial position.

### Capital Stock

Capital stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement and is measured at par value.

### Retained Earnings

Retained earnings represent the cumulative balance of periodic net income, prior period adjustments and effect of changes in accounting policies, and other capital adjustments, net of any dividend declaration. Dividends, except for stock dividends, are recognized as a liability and deducted from equity when they are approved by the Company's Board of Directors and/or stockholders. Dividends for the period that are approved after the end of the financial reporting period are dealt with as an event after the financial reporting period. Retained earnings may also include the effect of changes in accounting policy as may be required by the accounting standard's transitional provisions.

### Revenue Recognition

#### *Service Revenue*

Service revenue is recognized in the accounting period in which the services are rendered, by reference to the completion of the specific transaction assessed on the basis of the actual service provided. This includes income recognized from tour programs including Hijos de San Pablo, Hijos de Balangiga and Hijos de Iloilo. Other services are flight booking, hotels reservation, itinerary planning and passport and visa processing.

#### *Interest income*

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

### Expenses

Expenses are recognized in the statement of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Expenses are recognized in the statement of income:

- on the basis of a direct association between the costs incurred and the earning of specific items of income;
- on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- 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 financial position as an asset.

Cost of services mainly comprise of personnel costs which are provided in the period when services are rendered.

### Retirement Benefits

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

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

Defined benefit costs comprise the following:

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

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

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in profit or loss 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. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

### Income Tax

The Company's income tax expense includes only the current income tax. Income tax expense and liability are recognized based on the taxable income for the year using the tax rates that have been enacted or substantively enacted at the reporting date.

### Related Parties

Parties are considered to be related if one party has the ability to, directly or indirectly, control or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject common control or common significant influence.

Related parties include members of key management personnel, including directors and officers of the Company and their close family members, and companies associated with these individuals. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

### Foreign Currency Transactions

Transactions in foreign currencies are translated into Philippine peso at exchange rates which approximate those prevailing on transaction dates. Monetary assets and liabilities denominated in foreign currencies are restated at the closing exchange rate prevailing as of reporting date. Exchange gains and losses arising from the settlement and restatement of foreign currency denominated monetary assets and liabilities are recognized in the statement income.

### Events after the Reporting Date

Events after the reporting date that provide additional information about conditions existing at period end (adjusting events) are recognized in the financial statements. Events after the reporting date that provide additional information about conditions existing after period end (non-adjusting events) are disclosed in the notes to the financial statements.

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## **4. Information About Key Sources of Estimation Uncertainty and Judgments**

The preparation of financial statements in accordance with PFRS for SEs requires the Company to make judgments and estimates that affect the reported amounts of assets, liabilities, income, and expenses, and disclosure relating to contingent assets and contingent liabilities. Future events may occur which may cause the assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

Judgment and estimates are continually evaluated and are based on expectations of future events that are believed to be reasonable under the circumstances.

As of December 31, 2020 and 2019, management assessed that there is no significant judgment exercised in respect to the preparation of the financial statements.

### Estimates

The key sources of estimation are uncertainties at the reporting date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### Present value of retirement liability

The cost of defined benefit retirement plan and other post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of reporting date, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The present value of the retirement liability and fair value of plan assets are disclosed in Note 9.

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## 5. Cash

This account consists of:

	<b>2020</b>		2019
Cash in banks	<b>P 1,867,770</b>	P	2,637,535
Petty cash fund	<b>10,000</b>		10,000
	<b>P 1,877,770</b>	P	2,647,535

Cash in banks consists of savings deposit with four local banks earning an annual interest rate ranging from 0.05% to 1.5% in 2020 and 2019.

Interest income earned by the Company from deposits amounted to P28,823 and P16,467 in 2020 and 2019, respectively.

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## 6. Receivables

This account consists of:

	<b>2020</b>		2019
Due from affiliates (Note 14)	<b>P 81,577</b>	P	163,363
Other receivables	<b>23,312</b>		126,849
	<b>P 104,889</b>	P	290,212

All receivables are demandable and non-interest bearing. Other receivables consists of receivables related to the Company's ordinary course of business.

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## 7. Other Current Assets

This account consists of:

		2020		2019
Prepaid expense	P	77,457	P	-
Prepaid taxes		24,696		-
Security deposit- computer		17,595		17,595
Supplies inventory		1,600		23,866
	P	121,348	P	41,461

Prepaid expense mainly consist of accident insurance premium paid in advance which is expected to be consumed within the 12-month period normal course of business.

Prepaid tax represents overpayment of income tax.

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## 8. Office Equipment - Net

Details of office equipment is as follows:

<b>Cost:</b>		2020		2019
Balance at beginning of the year	P	17,300	P	-
Additions		-		17,300
Balance at end of the year		17,300		17,300
<b>Accumulated Depreciation</b>				
Balance at beginning of the year		1,433		-
Depreciation		5,733		1,433
Balance at end of the year		7,167		1,433
Net Book Value	P	10,133	P	15,867

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## 9. Employee Benefits

The Company maintains a non-contributory and a defined benefit type which provides a retirement benefit equal to 120% of plan salary for every year of credited service. The plan provides lump sum benefits upon retirement or separation in accordance with the terms of the plan.

In addition to the Company's defined benefit retirement plan, the Company is also a participant to the CARD Group Employees' Retirement Plan (New Plan applicable to employees hired on or after July 1, 2016) which provides a retirement benefit equal to 100% of the member's employer accumulated value (the Company's contributions of 8% of plan salary to Fund A plus credited earnings) and 100% of the member's employee accumulated value (Member's own voluntary contributions up to 10% of plan salary to Fund B plus accredited earnings), if any. Provided that in no case shall 100% of the employed accumulated value in Fund A be less than 100% of plan salary for every year of credited service.

The latest actuarial valuation report covers reporting period as at December 31, 2020.

The amounts recognized in the statement of financial position follows:

	<b>2020</b>		2019
Fair value of plan assets	<b>P (339,239)</b>	P	(222,437)
Present value of defined benefit obligation	<b>922,951</b>		769,441
Effect of asset ceiling	<b>-</b>		-
Retirement liability	<b>P 583,712</b>	P	547,004

The retirement expense recognized in profit or loss:

	<b>2020</b>		2019
Current service cost	<b>P 58,669</b>	P	583,317
Net interest	<b>27,388</b>		(2,234)
	<b>P 86,057</b>	P	581,083

The movements in the present value of pension obligation follows:

	<b>2020</b>		2019
Balance at the beginning of the year	<b>P 769,441</b>	P	131,469
Interest expense	<b>42,627</b>		10,123
Current service cost	<b>58,669</b>		15,212
Actuarial loss	<b>24,783</b>		612,637
Transfers to the plan	<b>27,431</b>		-
Balance at the end of the year	<b>P 922,951</b>	P	769,441

The movements in the fair value of plan assets follows:

	<b>2020</b>		2019
Balance at the beginning of the year	<b>P 222,437</b>	P	158,077
Interest income	<b>15,239</b>		12,562
Contributions	<b>77,824</b>		10,130
Transfer to the plan	<b>27,431</b>		-
Return on plan asset	<b>(3,692)</b>		41,668
Balance at the end of the year	<b>P 339,239</b>	P	222,437

The movements in the net retirement liability (asset) follows:

	<b>2020</b>		2019
Balance at the beginning of the year	<b>P 547,004</b>	P	(23,949)
Retirement expense recognized in P&L	<b>86,057</b>		12,978
Retirement expense recognized in OCI	<b>28,475</b>		568,105
Contributions	<b>(77,824)</b>		(10,130)
	<b>P 583,712</b>	P	547,004

The fair value of plan assets by each class as at the end of the reporting period are as follows:

	<b>2020</b>		2019	
Cash and cash equivalents	<b>P</b>	<b>157,000</b>	P	181,242
Debt instruments		<b>144,448</b>		7,985
Mutual funds		<b>1,662</b>		1,268
Loans		-		25,714
Real estate		<b>28,360</b>		-
Others		<b>7,769</b>		6,228

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 actuarial assumptions used in determining pension for the retirement plan are shown below:

	<b>2020</b>		2019	
Discount rate		<b>3.71%</b>		5.54%
Salary increase rate		<b>3.00%</b>		5.00%
Average remaining working lives		<b>29.8 years</b>		30.5 years

The weighted average duration of the defined benefit obligation at the end of the reporting period is 9.5 years.

Shown below is the 10 year projection of expected future benefit payments of the Company:

	<b>2020</b>		2019	
Less than 1 year	<b>P</b>	55,795	P	49,221
More than 1 year to 5 years		262,896		230,466
More than 5 years to 10 years		396,712		379,513

## **10. Accrued Expenses and Other Payables**

This account consists of:

	<b>2020</b>		2019 (As restated)	
Accrued expenses (Note 15)	<b>P</b>	<b>215,256</b>	P	185,519
Accounts payable		<b>49,966</b>		4,048
Others		<b>48,871</b>		100,035
	<b>P</b>	<b>314,093</b>	P	289,602

Accrued expenses consist of unpaid employee benefits and professional fees while others represent other regulatory contributions.



## 11. Equity

### Capital Stock

As at December 31, 2020 and 2019, the Company's capital stock consists of:

	2020		2019	
	Shares	Amount	Shares	Amount
<b>Common stock - P5 par value, 400,000 authorized stocks</b>				
Common stock at the beginning of the year	400,000 P	2,000,000	220,004 P	1,100,020
Issuance of shares of stock	-	-	179,994	899,970
Settlement of subscription receivable	-	-	2	10
Common stock at the end of the year	400,000	2,000,000	400,000	2,000,000
Subscribed	-	-	-	-
Subscription receivable	-	-	-	-
	<b>400,000 P</b>	<b>2,000,000</b>	<b>400,000 P</b>	<b>2,000,000</b>

### Capital Management

The Company's objectives when managing capital are (a) to safeguard the Company's ability to continue as a going concern; (b) to support the Company's stability and growth by maintaining strong credit ratings and healthy capital ratios; and (c) to provide capital for the purpose of strengthening the Company's risk management capability to support and sustain its business growth towards maximizing the shareholder's value.

### Minimum Capital Requirement

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

## 12. Miscellaneous Expense

This account consists of:

	2020		2019	
			(As restated)	
Communication, light and water	P	73,196	P	21,742
Management and consultancy fee (Note 15)		72,372		56,033
Repairs and maintenance		39,324		1,944
Honorarium		38,373		7,000
Research and documentation		18,758		-
Information technology		17,000		17,562
Representation expense		11,916		47,848
Advertising and publicity		9,772		-
Supervision and examination		3,312		28,044
Others		56,933		51,966
	<b>P</b>	<b>340,956</b>	<b>P</b>	<b>232,139</b>

Others include burial assistance, expense incurred for students assistants, membership dues and COVID-19 related expenses such as rapid testing and flu vaccination.

### 13. Income Taxes

#### a. Applicable rate

The Company is subject to Regular Corporate Income Tax (RCIT) rate of 30%. The Company is not yet subject to minimum corporate income tax (MCIT), which is computed at 2% of gross income.

#### b. Optional standard deduction

Effective July 2008, Republic Act 9504 was approved giving corporate taxpayers an option to claim itemized deduction or optional standard deduction (OSD) equivalent to 40% of gross income. Once the option to use OSD is made, it shall be irrevocable for the taxable year for which the option was made. In 2020 and 2019, the Company opted to continue claiming itemized deduction.

#### c. Tax computation

<b>Regular Corporate Income Tax (RCIT)</b>	<b>2020</b>	<b>2019</b>
Revenue	P 3,621,903	P 5,688,884
Less: Cost of services	(1,356,604)	(2,200,439)
Gross income from operation	2,265,299	3,488,445
Add: Other income	1	7
Total gross income	2,265,300	3,488,452
Less: Itemized deduction	(2,963,305)	(2,691,941)
Taxable income (loss)	P (698,005)	P 796,511
RCIT - at 30%	P -	P 238,953
MCIT- at 2%	P 45,306	P 69,769
Total income tax due	P 45,306	P 238,953
Income taxes paid and tax credits		
Prior year's excess tax credit	-	(57,316)
Income tax payment from 1st to 3rd qtr	-	(39,263)
Creditable taxes withheld 1st to 3rd qtr	(49,162)	(74,896)
Creditable taxes withheld 4th qtr	(20,840)	(48,750)
Income tax payable (overpayment)	P (24,696)	P 18,729

d. Reconciliation

Reconciliation between accounting income and taxable income is presented below:

<b>Regular Corporate Income Tax (RCIT)</b>	<b>2020</b>		<b>2019</b>	
Accounting income	<b>P</b>	<b>(866,656)</b>	<b>P</b>	242,025
Permanent differences:				
Interest income subject to final tax		<b>(28,823)</b>		(16,467)
Temporary differences:				
Accumulated vacation leave		<b>93,072</b>		-
Actuarial (gain) loss		<b>28,475</b>		568,105
Retirement expense, net of contributions		<b>75,927</b>		2,848
<b>Taxable income (loss)</b>	<b>P</b>	<b>(698,005)</b>	<b>P</b>	796,511

e. Provision for income tax consists of:

	<b>2020</b>		<b>2019</b>	
Income tax	<b>P</b>	<b>45,306</b>	<b>P</b>	238,953
Final tax		<b>5,765</b>		3,294
	<b>P</b>	<b>51,071</b>	<b>P</b>	242,247

f. Subsequent Event

On March 26, 2021, the Republic Act (RA) 11534, known as "The Corporate Recovery or Tax incentives for Enterprises Act" (Create Act), was passed into law. The salient provisions of the Create Act applicable to the Company are as follow:

- Effective July 1, 2020, the corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5,000,000 and with total assets not exceeding P100,000,000, excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed at 20%. All other domestic corporations and resident foreign corporations will be subject to 25% income tax;
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% effective July 1, 2020, to June 30, 2023;
- The imposition of improperly accumulated earnings is repealed.

The effect of the changes mentioned above are shown below:

	As of December 31, 2020	Effect of changes in tax rates	Adjusted amount based on the reduced tax rates
<b>Statement of Income</b>			
Current tax expense	P 45,306	P (11,326)	P 33,980
Net loss for the year	(917,727)	11,326	(906,401)
<b>Statement of Financial Position</b>			
Prepaid tax	24,696	11,326	36,022
<b>Statement of Changes in Equity</b>			
Deficit	(785,689)	11,326	(774,363)

#### 14. Related Party Transactions

In the ordinary course of business, the Company transacts with related parties. Related parties include directors, members, officers, employees and entities where directors, members and officers hold key management positions. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest, as those prevailing at the time for comparable transactions with other parties. These transactions are made substantially on the same terms as other individuals and business of comparable risks and are generally settled in cash.

##### Transactions with retirement plans

Under PFRS for SEs, certain post-employment benefit plans are considered as related parties.

CARD-MRI's MERP is a stand-alone entity assigned in facilitating the contributions to retirement starting 2005.

##### Other related party transactions

Transactions between the Company and its affiliates within the CARD-MRI, qualified as related party transactions. Related party transactions and balances as at and for the years ended December 31, 2020 and 2019 are as follows:

As of December 31, 2020 and 2019, transactions with related parties are as follows:

				<b>December 31, 2020</b>	
<b>Category</b>	<b>Amount/ Volume</b>	<b>Outstanding Balance</b>	<b>Nature, Terms and Condition</b>		
<b>Affiliates</b>					
Cash		P 1,851,348	This pertains to savings account with annual interest rate of 1.0%.		
Placements	P 4,946,876				
Withdrawals	5,409,869				
Due from affiliates		81,577	The amount represents the uncollected billing from services rendered		
Due to affiliates		2,024	Unpaid billed expenses incurred in rendering services to customers		
Service revenue	3,621,903		These pertains to revenue recognized from various tour packages.		
Interest income	28,675		Income earned from deposits to CARD MRI entities.		

December 31, 2019

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Condition
<b>Affiliates</b>			
Cash		P 2,314,341	This pertains to savings account with annual interest rate of 1.0%.
Placements	P 10,828,569		
Withdrawals	9,503,381		
Due from affiliates		163,363	The amount represents the uncollected billing from services rendered
Due to affiliates		7,702	Unpaid billed expenses incurred in rendering services to customers
Service revenue	5,688,884		These pertains to revenue recognized from various tour packages.
Interest income	13,020		Income earned from deposits to CARD MRI entities.

### 15. Prior Period Adjustment and Restatement of Accounts

In 2020, errors were discovered in the prior period financial statements. These errors were corrected by adjusting the beginning balance of retained earnings. The errors are as follows:

Nature	Account/s Affected	Amount
Overstatement of recognized accrued expenses in 2019	Accrued expenses	P (15,395)
	Management and consultancy fee	(15,395)

The 2019 comparative figures were properly restated to reflect the correction of prior period errors discovered in 2020. The table below shows the accounts affected by the prior period errors and their corresponding balances, before restatement and as restated.

Accounts Affected	Before Restatement	After Restatement
Accrued expenses (Note 10)	P 200,914	P 185,519
Management and consultancy fee (Note 12)	71,428	56,033
Retained Earnings	116,643	132,038

### 16. Approval of the Issuance of the Financial Statements

The accompanying financial statements were authorized for issue by the Board of Directors of the Company on March 23, 2021.

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**17. Supplementary Information Required by the Bureau of Internal Revenue****Revenue Regulations (RR) No. 15-2010**

On November 25, 2010, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No. 15-2010 which prescribes additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying the tax returns. Under the said RR, companies are required to disclose, in addition to the disclosures mandated under PFRS for SEs and such other standards and/or conventions, taxes, duties, and license fees paid or accrued during the taxable year. Following is the required information under RR No. 15-2010 for the year ended December 31, 2020:

**a. Value-Added Tax**

Output VAT **P 434,628**

The Company has VATable sales for the year ended December 31, 2020 that amounted to P3,621,903.

Input VAT **P -**

The work forward analysis of Company's input VAT for its VATable purchases is as follows:

Balance at the beginning of the year		<b>P</b>	<b>-</b>
Add: Purchases or payments for:			
Goods (domestic)	<b>P</b>	190,864	<b>22,904</b>
Services (domestic)		633,198	<b>75,984</b>
Less:			
Applied against output VAT during the year			<b>(98,888)</b>
Balance at the end of the year		<b>P</b>	<b>-</b>

**b. Withholding Taxes**

		<b>2020</b>
Expanded withholding taxes	<b>P</b>	<b>34,605</b>
Tax on compensation and benefits		<b>8,931</b>
	<b>P</b>	<b>43,537</b>

c. Other Taxes Paid

The following are the other taxes paid by the Company during the year recognized under Taxes and licenses account:


Business permit	P	70,320
BIR Annual registration fee		1,045
Documentary stamp taxes		220
Others		5,469
	P	77,053

d. Tax Assessments and Cases

The Company has no deficiency tax assessments and has not been involved in any tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the Bureau of Internal Revenue.




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