

CARD MRI Hijos Tours Inc.

Financial Statements

December 31, 2022 and 2021

and

Independent Auditor's Report

ENDRIGA, MANANGU & ASSOCIATES
Certified Public Accountants

CARD MRI Hijos Tours Inc.
STATEMENTS OF FINANCIAL POSITION

As of December 31

	<i>Notes</i>	2022	2021
ASSETS			
Current Assets			
Cash and cash equivalents	3, 5	P 4,608,617	P 2,803,343
Receivables	3, 6	197,294	312,660
Other current assets	3, 7	107,049	103,803
Total Current Assets		4,912,960	3,219,806
Noncurrent Assets			
Fixed assets, net	3, 8	324,281	62,715
Retirement asset	3, 9	364,103	136,689
Total Noncurrent Assets		688,384	199,404
TOTAL ASSETS		P 5,601,344	P 3,419,210
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
Current Liabilities			
Accrued expenses and other payables	3, 10	P 340,271	P 224,868
Total Current Liabilities		340,271	224,868
STOCKHOLDERS' EQUITY			
Capital stock	3, 11	2,000,000	2,000,000
Deposit for future stock subscription	3, 12	150,000	-
Retained earnings	3	3,111,073	1,194,342
Total Stockholders' Equity		5,261,073	3,194,342
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		P 5,601,344	P 3,419,210

See accompanying Notes to Financial Statements.



CARD MRI Hijos Tours Inc.
STATEMENTS OF INCOME

		For the Years Ended December 31	
	Notes	2022	2021
SERVICE REVENUE	3	P 9,593,620	P 6,547,427
COST OF SERVICES	3	2,075,598	2,281,663
GROSS INCOME		7,518,022	4,265,764
OPERATING EXPENSES			
Salaries and wages		2,449,910	1,587,230
Program, monitoring and evaluation		567,036	151,628
Office supplies		298,309	169,234
Transportation and travel		235,059	176,584
Outsourced services		216,000	-
Staff training and development		199,258	56,629
Management and other professional fees		165,750	94,400
Insurance expense		126,874	88,112
Seminars and meetings		123,014	14,133
Communication and postage		99,867	62,884
Advertising and Publicity		97,492	3,258
Rent		89,908	40,564
Utilities		84,595	67,644
Repairs and Maintenance		80,293	35,781
Depreciation expense	3, 8	69,767	31,348
Research and Documentation		60,837	26,723
Taxes and licenses		58,160	42,071
Retirement expense	3, 9	3,724	95,123
Miscellaneous expense	13	220,449	158,117
		5,246,302	2,901,463
OPERATING INCOME		2,271,720	1,364,301
OTHER INCOME			
Deposit for future stock subscription	3, 9	39,916	740,668
Retained earnings	3, 5	19,640	17,470
Other income		20,002	-
		79,558	758,138
INCOME BEFORE TAX		2,351,278	2,122,439
PROVISION FOR INCOME TAX	3, 14	434,547	142,408
NET INCOME AFTER TAX		P 1,916,731	P 1,980,031

See accompanying Notes to Financial Statements.



CARD MRI Hijos Tours Inc.
STATEMENTS OF CHANGES IN EQUITY

As of December 31

	Common Stock (Note 11)	Deposit for Future Stock Subscription (Note 12)	Retained Earnings	Total
At January 1, 2022	P 2,000,000	P -	P 1,194,342	P 3,194,342
Received deposit for future stock subscription	-	150,000	-	150,000
Net income for the year	-	-	1,916,731	1,916,731
At December 31, 2022	P 2,000,000	P 150,000	P 3,111,073	P 5,261,073
At January 1, 2021	2,000,000	-	(785,689)	1,214,311
Net income for the year	-	-	1,980,031	1,980,031
At December 31, 2021	P 2,000,000	P -	P 1,194,342	P 3,194,342

See accompanying Notes to Financial Statements.

CARD MRI Hijos Tours Inc.
STATEMENTS OF CASH FLOWS

For the Years Ended December 31

	<i>Notes</i>	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income before tax		P 2,351,278	P 2,122,439
Adjustments for:			
Actuarial gain on retirement plan	9	(39,916)	(740,668)
Interest income	5	(19,640)	(17,470)
Depreciation expense	8	69,767	31,348
Retirement expense	9	3,724	95,123
Operating income before working capital changes		2,365,213	1,490,772
Changes in operating assets and liabilities			
Decrease (increase) in:			
Receivables	6	115,367	(207,772)
Other current assets	7	(3,246)	17,545
Increase (decrease) in:			
Accrued expenses and other payables	10	115,403	(89,226)
Due to affiliates	15	-	(2,024)
Net cash provided by operations		2,592,737	1,209,295
Interest received	5	19,640	17,470
Income taxes paid	14	(434,547)	(142,407)
Contributions to retirement plan		(191,222)	(74,856)
Net cash provided by operating activities		1,986,608	1,009,502
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment	8	(331,333)	(83,929)
Net cash used in investing activities		(331,333)	(83,929)
CASH FLOWS FROM FINANCING ACTIVITIES			
Received deposit for future stock subscription	12	150,000	-
Net cash provided by financing activities		150,000	-
NET INCREASE (DECREASE) IN CASH		1,805,275	925,573
CASH AT BEGINNING OF YEAR		2,803,343	1,877,770
CASH AT END OF YEAR		P 4,608,617	P 2,803,343
Deposit for future stock subscription			

See accompanying Notes to Financial Statements.

CARD MRI Hijos Tours Inc.
NOTES TO FINANCIAL STATEMENTS
As of and for the years ended December 31, 2022 and 2021

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 purposes 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 20 M.L. Quezon Street, City Subdivision, San Pablo City, Laguna.

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).

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.

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 and cash equivalents

Cash and cash equivalents include cash on hand, cash in banks, and short-term highly liquid investments with original maturities of three months or less.

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 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 an 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 or 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.

Deposit for Future Stock Subscription

Deposit for future stock subscription (DFFS) shall be classified under equity account if all of the following conditions are present as of reporting date:

- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- There is Board of Directors' approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);
- There is stockholders' approval of said proposed increase; and
- The application for the approval of the proposed increase has been presented for filing or has been filed with the Commission.

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.

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, 2022 and 2021, 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.

5. Cash and Cash Equivalents

This account consists of:

		2022		2021
Cash in banks	P	3,598,617	P	2,793,343
Short-term time deposit		1,000,000		-
Petty cash fund		10,000		10,000
	P	4,608,617	P	2,803,343

Cash in banks represents deposits with four local banks earning an annual interest rate ranging from 0.05% to 0.50% and 0.05% to 1.50% in 2022 and 2021, respectively.

Short-term time deposit has a tenor of 36 days and an interest rate of 3.25%.

Interest income earned by the Company from cash and cash equivalents amounted to P19,640 and P17,470 in 2022 and 2021, respectively.

6. Receivables

This account consists of:

		2022		2021
Due from affiliates (Note 14)	P	-	P	500
Other receivables		197,294		312,160
	P	197,294	P	312,660

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

7. Other Current Assets

This account consists of:

		2022		2021
Prepaid expenses	P	83,503	P	80,365
Security deposits		12,385		17,595
Supplies inventory		4,750		5,843
Prepaid tax		1,048		-
Other assets		5,363		-
	P	107,049	P	103,803

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

8. Fixed Assets, net

Details of fixed assets is as follows:

2022

Cost:		Office Equipment		Office Computer		Furniture and Fixtures		Total
Balance at beginning of the year	P	17,300	P	83,929	P	-	P	101,229
Additions		-		308,000		23,333		331,333
Balance at end of the year		17,300		391,929		23,333		432,562
Accumulated Depreciation								
Balance at beginning of the year		12,900		25,614		-		38,514
Depreciation		4,300		60,949		4,518		69,767
Balance at end of the year		17,200		86,563		4,518		108,281
Net Book Value	P	100	P	305,366	P	18,816	P	324,281

2021

Cost:		Office Equipment		Office Computer		Furniture and Fixtures		Total
Balance at beginning of the year	P	17,300	P	-	P	-	P	17,300
Additions		-		83,929		-		83,929
Balance at end of the year		17,300		83,929		-		101,229
Accumulated Depreciation								
Balance at beginning of the year		7,167		-		-		7,167
Depreciation		5,733		25,614		-		31,347
Balance at end of the year		12,900		25,614		-		38,514
Net Book Value	P	4,400	P	58,315	P	-	P	62,715

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, 2022.

The amounts recognized in the statement of financial position follows:

	2022		2021
Fair value of plan assets	P (1,128,276)	P	(372,167)
Present value of defined benefit obligation	644,927		213,277
Effect of asset ceiling	119,246		22,201
Retirement (asset) liability	P (364,103)	P	(136,689)

The retirement expense recognized in profit or loss:

	2022		2021
Current service cost	P 29,791	P	73,806
Net interest	(26,067)		21,317
	P 3,724	P	95,123

The movements in the present value of pension obligation follows:

	2022		2021
Balance at the beginning of the year	P 213,277	P	922,951
Interest expense	11,048		34,241
Current service cost	29,791		73,806
Actuarial (gain) loss	(151,031)		(761,118)
Transfers to the plan	541,842		(56,603)
Balance at the end of the year	P 644,927	P	213,277

The movements in the fair value of plan assets follows:

	2022		2021
Balance at the beginning of the year	P 372,167	P	339,239
Interest income	38,265		12,924
Contributions	191,222		74,856
Transfer to (from) the plan	541,842		(56,603)
Return on plan asset	(15,220)		1,751
Balance at the end of the year	P 1,128,276	P	372,167

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

	2022		2021
Balance at the beginning of the year	P (136,689)	P	583,712
Retirement expense recognized in P&L	3,724		95,123
Retirement (income) expense recognized in OCI	(39,916)		(740,668)
Contributions	(191,222)		(74,856)
	P (364,103)	P	(136,689)

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

		2022		2021
Cash and cash equivalents	P	184,924	P	151,621
Debt instruments		833,232		180,613
Loans		94,662		31,485
Others		15,457		8,448

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:

		2022		2021
Discount rate		7.31%		5.18%
Salary increase rate		5.00%		5.00%
Average remaining working lives		32.8 years		33.6 years

The weighted average duration of the defined benefit obligation at the end of the reporting period is 11.4 years.

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

		2022		2021
Less than 1 year	P	68,389	P	10,108
More than 1 year to 5 years		262,430		62,268
More than 5 years to 10 years		384,264		98,900

10. Accrued Expenses and Other Payables

This account consists of:

		2022		2021
Accrued expenses	P	140,667	P	95,889
Accounts payable		33,262		-
Others		166,342		128,979
	P	340,271	P	224,868

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

11. Equity

Capital Stock

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

	2022		2021	
	Shares	Amount	Shares	Amount
Common stock - P5 par value, 400,000 authorized stocks				
Issued and fully paid	400,000	P 2,000,000	400,000	P 2,000,000

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. Deposits for Future Stock Subscriptions

On May 14, 2022, the Board of Directors of the Company met and approved the increase in the authorized capital stock of the Company from P2,000,000 (divided into 400,000 shares with a par value of P5) to P5,000,000 (divided into P1,000,000 shares with a par value of P5). The aforementioned increase in the authorized capital stock of the Company was likewise approved by the stockholders in their special meeting held on May 14, 2022.

The Company entered into subscription agreements with different subscribers and approved a total of P600,000 subscriptions for the corresponding 120,000 shares. On the said subscriptions, the Company received during the year a total of P150,000 as deposits for future stock subscriptions. The unissued authorized capital of the Company is insufficient to cover the number of shares indicated in the subscription agreements. The cash received by the Company was recognized as Deposits for Future Stock Subscriptions as of December 31, 2022, in compliance with the applicable SEC reporting requirements.

The application for the approval of the proposed increase in the authorized capital stock has been presented for filing or has been filed with the Commission. The Company formally filed the application with the SEC on September 29, 2022. The application is awaiting approval as of March 23, 2023.

13. Miscellaneous Expense

This account consists of:

	2022	2021
Information technology	124,602	16,602
Honorarium	45,500	59,500
Supervision and examination	4,484	15,840
Others	45,863	66,175
	P 220,449	P 158,117

Others includes expense incurred for student assistants, membership dues and COVID- 19 related expenses such as rapid testing and flu vaccination.

14. Income Taxes

CREATE Act

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 follows:

- 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 is reduced from 2% to 1% effective July 1, 2020, to June 30, 2023; with the MCIT rate reverting to 2% on July 1, 2023.
- The imposition of improperly accumulated earnings is repealed.

a. Applicable rates

The Company is subject to Regular Corporate Income Tax (RCIT) rate of 20% and MCIT of 1% under the CREATE Act.

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 2022 and 2021, the Company opted to continue claiming itemized deduction.

c. Tax computation

Regular Corporate Income Tax (RCIT)	2022		2021	
Revenue	P	9,593,620	P	6,547,427
Less: Cost of services		(2,075,598)		(2,281,663)
Gross income from operation		7,518,022		4,265,764
Add: Other income		20,002		-
Total gross income		7,538,024		4,265,764
Less: Itemized deduction		(5,211,793)		(2,819,522)
Taxable income	P	2,326,231	P	1,446,242
Less: Net Operating Loss Carry Over (NOLCO)		(172,864)		(525,140)
Taxable income		2,153,367		921,102

Income tax expense - at 20%	P	430,673	P	184,220
MCIT- at 1%	P	75,180	P	42,658
Income tax expense	P	430,673	P	184,220
Income taxes paid and tax credits				
Prior year's excess tax credit		-		(36,022)
Excess MCIT applied		-		(33,980)
Income tax payment from 1st to 3rd quarter		(247,642)		(297)
Creditable taxes withheld 1st to 4th quarter		(184,079)		(113,921)
Income tax payable (overpayment)	P	(1,048)	P	-

d. Reconciliation

Reconciliation between accounting income and taxable income is presented below:

Regular Corporate Income Tax (RCIT)	2022		2021	
Accounting income	P	2,351,278	P	2,122,439
Permanent differences:				
Interest income subject to final tax		(19,640)		(17,470)
Net Operating Loss Carry Over (NOLCO)		(172,864)		(525,140)
Accumulated vacation leave		53,259		61,674
Contributions to retirement plan		(191,222)		(74,856)
Temporary differences:				
Actuarial gain on retirement plan		(39,916)		(740,668)
Retirement expense		3,724		95,123
Contributions subject to amortization		168,748		-
Taxable income	P	2,153,367	P	921,102

e. Provision for income tax consists of:

	2022		2021
Provision for current income tax	P 430,673	P	184,220
Provision for final tax	3,874		3,494
Income tax adjustment (effect of CREATE Law in 2020)	-		(11,326)
Application of excess MCIT	-		(33,980)
	P 434,547	P	142,408

f. Available Net Operating Loss Carry Over (NOLCO)

Details of NOLCO is as follows:

Year	Amount	Applied	Expired	Balance	Expiry Year
2020	P 172,864	P 172,864	P -	P -	P 2025

Year	Amount	Applied	Expired	Balance	Expiry Year
2020	P 698,004	P 525,140	P -	P 172,864	P 2025

For NOLCO incurred for taxable year 2020, the Company is allowed to carry over the NOLCO for the next five (5) consecutive taxable years immediately following the year of such loss.

e. Unexpired Excess Minimum Corporate Income Tax (MCIT)

Details of unexpired excess MCIT is as follows:

Year	Amount	Applied	Expired	Balance	Expiry Year
2020	P 33,980	P 33,980	P -	P -	P 2023

15. 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, 2022 and 2021 are as follows:

December 31, 2022				
		Amount/ Volume	Outstanding Balance	Nature, Terms and Condition
Cash			P 3,598,617	This pertains to savings account with annual interest rate of 1.0%.
Placements	P	21,636,428		
Withdrawals		20,831,152		
Service revenue		9,593,620		These pertains to revenue recognized from various tour packages.
Interest income		19,565		Income earned from deposits to CARD MRI entities.
December 31, 2021				
		Amount/ Volume	Outstanding Balance	Nature, Terms and Condition
Cash			P 2,793,343	This pertains to savings account with annual interest rate of 1.0%.
Placements	P	9,902,991		
Withdrawals		8,960,996		
Due from affiliates			500	The amount represents the uncollected billing from services rendered
Service revenue		6,547,428		These pertains to revenue recognized from various tour packages.
Interest income		13,920		Income earned from deposits to CARD MRI entities.

16. Other Matter

COVID-19 Impacts

Since December 31, 2019 to December 31, 2022, 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 of December 31, 2022 and 2021, all COVID-19 determinable impacts on the Company's 2022 and 2021 financial statements have been either adjusted or disclosed.

Uncertainties due to COVID-19 may still exist as the pandemic has not been officially declared over globally (although the state of public health emergency in the Philippines has been extended only until December 31, 2022). Even so, management confirms the validity of the going concern assumption for the Company. The Company has adequate funds and liquidity for its subsequent operations.

17. 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, 2023.

18. 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, 2021:

a. Value-Added Tax

Output VAT	P 1,151,234
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The Company has VATable sales for the year ended December 31, 2021 that amounted to P9,593,620.

Input VAT	P 167,400
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The work forward analysis of Company's input VAT for its VATable purchases is as follows:

Balance at the beginning of the year	P -
Add: Purchases or payments for:	
Capital Goods not exceeding 1 million	P -
Goods (domestic)	762,581
Services (domestic)	632,419
Less:	
Applied against output VAT during the year	(167,400)
<u>Balance at the end of the year</u>	<u>P -</u>

b. Withholding Taxes

		2022
Expanded withholding taxes	P	108,866
Tax on compensation and benefits		11,583
	P	120,449

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	44,369
BIR Annual registration fee		500
Other fees		13,291
	P	58,160

d. Tax Assessments and Cases

In March 2022, the Company received a Letter of Authority (LOA No. 055-2022-00000029/ SN: eLA201500005527) for the taxable year 2020. As of December 31, 2022, the tax audit is still in progress.