CARD MRI Holdings Inc.

Financial Statements
December 31, 2021 and 2020

and

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CARD MRI Holdings, Inc. (the Company), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 14 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of CARD MRI Holdings, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Miguel U. Ballelos, Jr.

Miguel U. Ballelos, Jr.
Partner
CPA Certificate No. 109950
Tax Identification No. 241-031-088
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 109950-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-114-2022, January 20, 2022, valid until January 19, 2025
PTR No. 8853488, January 3, 2022, Makati City

April 8, 2022

CARD MRI HOLDINGS, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱6,261,245**	₱3,979,222
Short-term investment (Note 6)	**1,207,907**	–
Other current assets (Note 7)	**2,970,147**	73,629
	10,439,299	4,052,851
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (FVOCI) (Note 9)	**34,607,540**	28,839,678
Investment in an associate (Note 8)	**81,229,854**	40,309,323
	115,837,394	69,149,001
TOTAL ASSETS	**₱126,276,693**	₱73,201,852
LIABILITIES AND EQUITY		
Current Liabilities		
Accrued expenses	**125,663**	98,558
Withholding taxes payable	**–**	625
	125,663	99,183
Equity		
Capital stock (Note 10)	**84,988,000**	54,688,000
Retained earnings	**30,161,760**	13,965,545
Net realized gain on financial assets at FVOCI (Note 9)	**9,407,540**	3,639,678
Equity in other comprehensive income of an associate (Note 8)	**3,544,289**	2,293,950
Cumulative foreign currency translation adjustment (Note 8)	**(1,950,559)**	(1,484,504)
TOTAL EQUITY	**126,151,030**	73,102,669
TOTAL LIABILITIES AND EQUITY	**₱126,276,693**	₱73,201,852

See accompanying Notes to Financial Statements.

CARD MRI HOLDINGS, INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2021	**2020**
INCOME		
Dividend income	**₱2,400,000**	₱–
Interest income (Note 6)	**56,805**	201,564
	2,456,805	201,564
EXPENSES		
Professional fees	**146,775**	90,560
Insurance	**80,240**	–
Taxes and licenses	**12,371**	15,167
Banking fees	**8,355**	–
Supervision and examination	**4,801**	–
Program monitoring evaluation	**3,500**	12,969
Seminars and meetings	**1,500**	–
Stationery and supplies	**275**	7,473
Honorarium	–	16,667
Miscellaneous	**3,360**	2,806
	261,177	145,642
INCOME BEFORE SHARE IN NET INCOME OF AN ASSOCIATE	**2,195,628**	55,922
SHARE IN NET INCOME OF AN ASSOCIATE (Note 8)	**14,011,948**	4,881,976
INCOME BEFORE INCOME TAX	**16,207,576**	4,937,898
PROVISION FOR FINAL TAX (Note 12)	**11,361**	40,309
NET INCOME AFTER INCOME TAX	**16,196,215**	4,897,589
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that may be reclassified to profit or loss in subsequent periods:		
Foreign currency translation adjustment (Note 8)	**(466,055)**	(1,872,362)
Share in other comprehensive gain of an associate (Note 8)	**1,250,339**	1,951,300
	784,284	78,938
Items that may not be reclassified to profit or loss in subsequent periods:		
Changes in fair value of financial assets at FVOCI (Note 9)	**5,767,862**	3,639,678
	6,552,146	3,718,616
TOTAL COMPREHENSIVE INCOME	**₱22,748,361**	₱8,616,205

See accompanying Notes to Financial Statements.

CARD MRI HOLDINGS, INC.
STATEMENT OF CHANGES IN EQUITY

	Common stock (Note 10)	Retained earnings	Net realized gain on financial assets at FVOCI (Note 9)	Equity in other comprehensive income (loss) of an associate (Note 8)	Foreign currency translation adjustment (Note 8)	Total
Balances as of January 1, 2021	**₱54,688,000**	**₱13,965,545**	**₱3,639,678**	**₱2,293,950**	**(₱1,484,504)**	**₱73,102,669**
Issuance of common stock (Note 10)	**30,300,000**	–	–	–	–	**30,300,000**
Total comprehensive income for the year	–	**16,196,215**	**5,767,862**	**1,250,339**	**(466,055)**	**22,748,361**
Balances at December 31, 2021	**₱84,988,000**	**₱30,161,760**	**₱9,407,540**	**₱3,544,289**	**(₱1,950,559)**	**₱126,151,030**
Balances as of January 1, 2020	₱31,250,500	₱9,067,956	₱–	₱342,650	₱387,858	₱41,048,964
Issuance of common stock (Notes 10)	23,437,500	–	–	–	–	23,437,500
Total comprehensive income for the year	–	4,897,589	3,639,678	1,951,300	(1,872,362)	8,616,205
Balances at December 31, 2020	₱54,688,000	₱13,965,545	₱3,639,678	₱2,293,950	(₱1,484,504)	₱73,102,669

See accompanying Notes to Financial Statements.

CARD MRI HOLDINGS, INC.

STATEMENT OF CASH FLOWS

	Years Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱16,207,576**	₱4,937,898
Adjustment for:		
Share in income of an associate (Note 8)	**(14,011,948)**	(4,881,976)
Interest income (Note 6)	**(56,805)**	(201,564)
Changes in operating assets and liabilities:		
Increase in the amount of other current assets	**(4,104,425)**	(73,629)
Increase (decrease) in the amounts of:		
Accrued expenses	**27,105**	7,391
Withholding taxes payable	**(625)**	625
Net cash used in operations	**(1,939,122)**	(211,255)
Interest received	**56,805**	201,564
Income tax paid	**(11,361)**	(40,309)
Net cash used in operating activities	**(1,893,678)**	(50,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of financial assets at FVOCI (Note 9)	–	(25,200,000)
Additional investment in an associate (Note 8)	**(26,124,299)**	–
Cash used in investing activities	**(26,124,299)**	(25,200,000)
CASH FLOWS FROM FINANCING ACTIVITY		
Issuance of common stock (Note 10)	**30,300,000**	23,437,500
Net cash provided by financing activity	**30,300,000**	23,437,500
NET INCREASE (DECREASE) IN CASH AND CASH QUIVALENTS	**2,282,023**	(1,812,500)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**3,979,222**	5,791,722
CASH AT END OF YEAR (Note 6)	**₱6,261,245**	₱3,979,222

See accompanying Notes to Financial Statements.

CARD MRI HOLDINGS, INC.
NOTES TO FINANCIAL STATEMENTS

1. **General Information**

CARD MRI Holdings, Inc. (the Company), was incorporated and duly registered with the Securities and Exchange Commission (SEC) on January 29, 2016. Based on the provisions of the Revised Corporation Code of the Philippines or RA 11232, the Company has a perpetual existence. The Company's purpose is to acquire and hold investment shares of stocks, any bonds, debentures and securities, or obligations, created, negotiated or issued by any foreign or domestic corporation, association or other entity and to provide business support to its subsidiaries, affiliates and other related companies to continuously enhance service, compliance and productivity and core practices.

The 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.

2. **Summary of Significant Accounting Policies**

Basis of Preparation
The accompanying financial statements of the Company have been prepared on a historical cost basis. The financial statements are presented in Philippine Peso (₱), the functional currency of the Company and all values are rounded to the nearest peso except otherwise indicated.

Statement of Compliance
The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2021. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Adoption of these amendments did not have an impact on the financial statements of the Company.

- Amendment to PFRS16, *COVID-19-related Rent Concessions beyond 30 June 2021*
- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

Significant Accounting Policies

Foreign Currency Translations - Transactions and Balances
Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction.

Foreign currency-denominated monetary assets and liabilities are translated using the Banker's Association of the Philippines (BAP) closing rate prevailing at the end of the year, and income and expenses are translated at BAP weighted average rates prevailing at transaction dates. Exchange differences arising from reporting foreign currency monetary items at rates different from those at which they were previously recorded, as well as foreign exchange gains or losses arising from foreign currency transactions are credited to or charged against 'Realized foreign exchange loss' in the statement of comprehensive income in the year on which the rates changed.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on translation of the Company's investment in associate are taken to the statement of comprehensive income under 'Foreign currency translation adjustment'. Upon actual disposal, the deferred cumulative amount recognized in the other comprehensive income section of the statement of comprehensive income is recognized in the profit or loss section of the statement of comprehensive income.

Current versus Noncurrent Classification

The Company presents assets and liabilities in the statement of financial position based on current/noncurrent classification.

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when it is:

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

All other liabilities are classified as noncurrent.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Fair Value Measurement

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

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

Financial assets

Initial recognition and measurement

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

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

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

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

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

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

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

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

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

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

The Company's financial assets at amortized cost include 'Cash and cash equivalents'.

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

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

The Company's financial assets at FVOCI includes investments in unquoted equity instruments.

Derecognition

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

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

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

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

Impairment of Financial Assets

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

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

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

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

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

The Company's financial liabilities include 'Accrued expenses'.

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

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

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

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

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

Under the equity method, investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

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

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

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

Impairment of Nonfinancial Assets
At each reporting date, the Company assesses whether there is any indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Company makes a formal estimate of recoverable amount.

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Equity
Capital Stock
Capital stocks are recorded at par. Incremental costs incurred which are directly attributable to the issuance of new shares are shown in equity as a deduction from the proceeds, net of tax. The subscribed capital stock is reported as part of equity and the related subscription receivable is presented as asset when it is expected to be collected within 12 months or contra-equity when it is expected to be collected for more than 12 months.

Retained Earnings
Retained Earnings represents cumulative balance of net income or loss of the Company.

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

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured regardless of when payment is being made.

Revenue is measured at fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company has assessed that it is acting as a principal in all of its revenue transactions. The following specific recognition criteria must also be met before income is recognized:

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

Expense Recognition
Expense is recognized in the statement of comprehensive income when it is probable that a decrease in future economic benefits related to a decrease in an asset or an increase in liability has occurred and the decrease in economic benefits can be measured reliably. Revenues and expenses that relate to same transaction or other event are recognized simultaneously. Expenses are recognized as incurred.

Income Taxes

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

Deferred tax
Deferred tax is provided, using the statement of financial position liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are applicable to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and such deferred taxes relate to the same taxable entity and the same taxation authority.

An entity shall recognize a deferred tax liability for all taxable temporary differences associated with its investments in subsidiaries, branches and associates, and interests in joint arrangements, except to the extent that both of the following conditions are satisfied:

(a) The parent, investor, joint venturer or joint operator is able to control the timing of the reversal of the temporary difference; and
(b) It is probable that the temporary difference will not reverse in the foreseeable future.

Provisions and Contingencies
Provisions are recognized when the Company has a present obligation (legal or constructive), as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to time value of money is recognized as 'Interest expense' in the statement of comprehensive income.

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

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

Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 2022

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

Effective beginning on or after January 1, 2023
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024
- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

Effective beginning on or after January 1, 2025
- PFRS 17, *Insurance Contracts*

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

3. Significant Accounting Judgments and Estimates

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

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

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

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

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

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

As at December 31, 2021 and 2020, the Company determined that it exercises significant influence over FDS Asya Pte. Ltd. (FAPL) in which it holds 47.00% ownership interest (Note 8).

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

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

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

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

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

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

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

As of December 31, 2021, the Company owns investments totaling ₱34.61 million which were irrevocably designated as financial assets at FVOCI (Note 9).

Estimates
The key assumptions concerning the future and other key sources of estimation and uncertainty at the financial reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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

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

4. **Fair Value Measurement**

The methods and assumptions used by the Company in estimating the fair value of the financial instruments are as follows:

Cash and cash equivalents and accrued expenses
Carrying amounts approximate fair values due to relatively short-term maturities of these financial instruments.

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

Reconciliation of fair value measurements of Level 3 financial instruments
The Company carries financial assets at FVOCI classified as Level 3 within the fair value hierarchy.

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

	2021	2020
Beginning balance	**₱3,639,678**	₱–
Mark-to-market fair value changes	**5,767,862**	3,639,678
Ending balance	**₱9,407,540**	₱3,639,678

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

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

	Significant	**Inputs**	
Valuation Technique	**Unobservable Input**	**2021**	2020
Adjusted net asset	Book value per share	**₱118.00/share**	₱98.00/share
Single-price model	Median of costs of equity and debt	**9.09%**	6.71%

<u>*Financial assets at FVOCI*</u>
The Association estimates the fair value of the unquoted equity securities using the adjusted net asset value approach. Below shows the sensitivity of the valuation to various changes in assumption:

Fair value of financial asset at FVOCI	₱5,899,907
Alternative scenarios:	
Discount for lack of marketability:	
-5.00%	5,324,666
+5.00%	6,504,647

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

5. Financial Risk Management Objectives and Policies

The financial instruments of the Company comprised of 'Cash and cash equivalents' and 'Financial asset at FVOCI'.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and market risk. The general policies for managing each of these risks are summarized below:

Credit Risk
Credit risk is the risk of financial loss to the Company if a counterparty to a financial, fails to meet its obligations. The Company manages its credit risk by constantly monitoring its credit exposure to counterparties. The Company's exposure to credit risk is minimal as cash and cash equivalents are maintained with reputable banks.

As at December 31, 2021 and 2020, maximum credit risk exposure is limited to the carrying amounts of the financial assets as shown in the statement of financial position. No credit enhancements or collaterals reducing the maximum exposure to credit risk were obtained as of the statement of financial position date.

Liquidity Risk
Liquidity risk is generally defined as the current and prospective risks to earnings on capital arising from the Company's inability to meet its obligations when they come due without incurring unacceptable costs.

The table below shows the maturity profile of the Company's financial assets based on contractual undiscounted cash flows:

	2021				
	On Demand	**Less than 3 months**	**3 to 12 months**	**>1 to 5 years**	**Total**
Financial assets					
Cash in banks (Note 6)	**₱6,261,245**	**₱–**	**₱–**	**₱–**	**₱6,261,245**
Short-term investment (Note 6)*		**₱1,217,471**			**₱1,217,471**
Financial assets at FVOCI	**–**	**–**	**–**	**34,607,540**	**34,607,540**
	₱6,261,245	**₱1,217,471**	**₱–**	**₱34,607,540**	**₱42,086,256**
Financial liability					
Accrued expenses	**(125,663)**	**–**	**–**	**–**	**(125,663)**
	₱6,135,582	**₱1,217,471**	**₱–**	**₱34,607,540**	**₱41,960,593**

**includes future interest*

	2020				
	On Demand	Less than 3 months	3 to 12 months	>1 to 5 years	Total
Financial assets					
Cash in banks and time deposits (Note 6)*	₱2,797,110	₱1,188,005	₱–	₱–	₱3,985,115
Financial assets at FVOCI	–	–	–	28,839,678	28,839,678
	₱2,797,110	₱1,188,005	₱–	₱28,839,678	₱32,824,793
Financial liability					
Accrued expenses	(98,558)	–	–	–	(98,558)
	₱2,698,552	₱1,188,005	₱–	₱28,839,678	₱32,726,235

**includes future interest*

Market Risk

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

Equity price risk

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

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

	Change in weighted cost of capital (in basis points)			
	2021		2020	
	+100 bps	**-100 bps**	+100 bps	-100 bps
Change in equity	**₱303,810**	**(₱303,810)**	₱252,428	(₱252,428)

Foreign currency risk

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

There were no items that were exposed to significant foreign exchange risk for 2021 and 2020.

Interest rate risk

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

As of December 31, 2021 and 2020, the Company has no repricing financial instruments. Cash and cash equivalents as well as short-term investment have fixed interest rates. As such, the Company's exposure to interest rate risk is minimal.

6. Cash and Cash Equivalents

This account consists of:

	2021	2020
Cash in bank (Note 11)	**₱6,261,245**	₱2,797,110
Time deposits (Note 11)	–	1,182,112
	₱6,261,245	₱3,979,222

Cash in bank is an-interest bearing demand deposit account maintained with local banks which earns annual interest of 0.18% to 1.5% and 0.18% in 2021 and 2020, respectively and is used in its day-to-day operations. Time deposits earn interest of nil and 2.50% to 4.25% in 2021 and 2020, respectively.

Short-term Investments

Short-term investments represent the Company's time deposits with maturity of more than three months but not more than one-year and earned interest at a time deposit rate of 1.75% (Note 11).

Interest income earned from cash in bank and short-term investments amounted to ₱56,805 and ₱201,564 in 2021 and 2020, respectively.

7. Other Current Assets

This account consists of:

	2021	2020
Advances for subscription (Note 11)	**₱2,900,00**	₱–
Prepaid expenses	**69,347**	73,629
Supplies	**800**	–
	₱2,970,147	₱73,629

Advances for subscription pertains to prepayment for the subscription in the shares of CARD Bank, Inc.

Prepaid expenses pertain to the prepayments for insurance and other expenses.

Supplies represents the cost of unissued and on hand stationaries and office supplies.

8. Investment in an Associate

This account consists of:

	2021	2020
Cost		
Beginning balance	**₱22,918,375**	₱22,918,375
Additional subscription during the year	**26,124,299**	–
	49,042,674	22,918,375
Accumulated equity in net earnings		
Balance at beginning of year	**16,581,502**	11,699,526
Share in net income of the associate for the year	**14,011,948**	4,881,976
	30,593,450	16,581,502
Accumulated equity in other comprehensive income		
Balance at beginning of the year	**2,293,950**	342,650
Share in other comprehensive income of the associate for the year	**1,250,339**	1,951,300
	3,544,289	2,293,950
Effect of foreign currency translation adjustment	**(1,950,559)**	(1,484,504)
	₱81,229,854	₱40,309,323

The Company's investment in associate represents the carrying value of its 47.00% interest in FAPL. FAPL is involved in the development of other software and programming activities. Its primary place of business is at 60 Albert Street, #14-01 OG Albert Complex, Singapore. FAPL's functional currency is US Dollars.

FAPL has a subsidiary, FDS Asya Philippines, Inc. (FAPI), whose primary purpose of business is to provide major information technology services, including distribution of hardware and software solutions, software and hardware system maintenance and telecommunication operations services, and development of web-based applications. Its primary place of business is located at 10th Floor No. 8 Rockwell, Hidalgo corner Plaza Drive, Rockwell Center, Makati City. FAPI's functional currency is Philippine Peso.

On June 12, 2021, the Company acquired additional 532,127 shares in FAPL for a consideration of Php 26.13 million.

The following table illustrates the summarized consolidated financial information in the statements of financial position and statements of comprehensive income of FAPL.

	2021	2020
Consolidated Statements of Financial Position		
Current assets	**₱136,542,947**	₱49,566,221
Noncurrent assets	**162,838,684**	147,739,590
Current liabilities	**(126,244,223)**	(111,350,594)
Noncurrent liabilities	**(307,932)**	(190,699)
Net assets	**172,829,476**	85,764,518
Ownership interest	**47%**	47%
Share in net assets	**₱81,229,854**	₱40,309,323
Statements of Comprehensive Income		
Revenue	**₱240,057,723**	₱187,402,374
Costs and expenses	**(210,245,068)**	(177,015,192)
Net income	**29,812,655**	10,387,182
Foreign currency translation adjustment	**2,957,778**	4,362,502
Remeasurement loss on retirement benefits, net of tax	**(297,482)**	(210,800)
Total comprehensive income	**₱32,472,951**	₱14,538,884

FAPL is a private company and there is no available quoted price for its shares. Major assets of FAPL include cash, property and equipment and software costs.

The Company has no share in any contingent liabilities or capital commitments of FAPL as of December 31, 2021 and 2020. There are also no agreements entered into by FAPL that may restrict dividends and other capital contributions to be paid, loans and advances be made or repaid to or from the Company as of the said dates.

9. Financial Assets at FVOCI

This account consists of investments in unquoted equity securities pertaining to the common shares of CARD MRI Property Management, Inc. and non-voting, cumulative and nonparticipating preferred shares of CARD Bank, Inc. (A Microfinance-Oriented Rural Bank).

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

Movements in these investments are as follows:

	2021	2020
Beginning balance	**₱28,839,678**	₱–
Additional subscription during the year	–	25,200,000
Fair value changes	**5,767,862**	3,639,678
Ending balance	**₱34,607,540**	₱28,839,678

Movements in the net unrealized gain on financial assets at FVOCI follow:

	2021	2020
Balance at beginning of year	**₱3,639,678**	₱–
Market-to-market fair value changes	**5,767,862**	3,639,678
Balance at end of year	**₱9,407,540**	₱3,639,678

10. Equity

Capital Stock
As at December 31, 2021, the Company's capital stock consists of:

	2021		2020	
	Shares	**Amount**	Shares	Amount
Par value – ₱ 100 per share				
Authorized	**5,000,000**	**₱500,000,000**	5,000,000	₱500,000,000
Issued and outstanding				
Beginning balance	**546,880**	**₱54,688,000**	312,505	₱31,250,500
Issuance of capital stock	**50,000**	**5,000,000**	–	–
Issuance of shares of stock from settlement of subscriptions receivables	**253,000**	**25,300,000**	234,375	23,437,500
	849,880	**84,988,000**	546,880	54,688,000
Subscribed	**500,125**	**50,012,500**	703,125	70,312,500
Subscription receivable	–	**(50,012,500)**	–	(70,312,500)
	500,125	**₱–**	703,125	₱–

On January 29, 2016, the Company was authorized by the SEC to issue 5,000,000 common shares of stock at ₱100.00 par value.

Subscription Receivable
Subscription receivable is a contra-account which pertains to the unpaid portion of the subscribed capital stock to the Company. On July 1, 2021, Masikap Holdings subscribed to 100,000 shares of the Company of which 50,000 were paid amounting to ₱5 million. The Company has subscribe receivable amounting to 5 million.

Subscription receivable amounting to ₱23.80 million, ₱1.10 million and ₱0.04 million were collected from CARD MRI Information Technology Inc. (CMIT), Center for Agriculture and Rural Development Inc. (CARD Inc.) and CARD MRI Insurance Agency, Inc. (CAMIA), respectively which is equivalent to 253,000 shares.

As of December 31, 2021, the Company has subscription receivable amounting to ₱24.03 million in CMIT, ₱12.03 million in CARD Inc., ₱4.29 million in CAMIA and ₱4.69 million in CARD Employees Mutli-Purpose Cooperative.

Retained Earnings
A portion of the Company's retained earnings corresponding to the undistributed net earnings of its associate amounting to ₱30.6 million and ₱16.6 million as of December 31, 2021 and 2020, respectively, is not available for dividend declaration. This becomes available for dividend declaration upon dividend distribution by the investee.

Capital Management
The primary objective of the Company's capital management policies and to maintain a capital level that enables it to meet its objective of continuing as a going concern so that it can provide adequate returns to shareholders and benefits to other stakeholders .

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

11. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions with related parties are generally settled in cash.

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

	2021		
Related Parties	**Amount/ Volume**	**Outstanding Balance**	**Terms and Conditions**
Parent Company			
Subscription receivable	**(₱23,800,000)**	**₱24,012,500**	Outstanding balance related to subscription of shares;noninterest-bearing
Shareholders			
Subscription receivable	**3,500,000**	**26,000,000**	Outstanding balance related to subscription of shares; noninterest-bearing
Others			
Advances for subscription	**2,900,000**	**2,900,000**	Advance payment for subscription in shares of CARD Bank, Inc.
Cash and cash equivalents	**1,825,825**	**3,007,937**	Cash in bank balance in CARD SME
Short-term investment	**1,207,907**	**1,207,907**	Time deposit accounts earning annual interest rate ranging from 1.75%
Interest income	**34,161**	–	Interest income earned from time deposit placements

	2020		
Related Parties	Amount/ Volume	Outstanding Balance	Terms and Conditions
Parent Company			
Subscription receivable	₱–	₱47,812,500	Outstanding balance related to subscription of shares; noninterest-bearing

(Forward)

Related Parties	2020 Amount/ Volume	Outstanding Balance	Terms and Conditions
Shareholders			
Subscription receivable	₱23,437,500	₱22,500,000	Outstanding balance related to subscription of shares; noninterest-bearing
Others			
Cash and cash equivalents	586,831	1,182,1112	Time deposit accounts earning annual interest rate ranging from 2.50% to 4.25%
Interest income	186,659	–	Interest income earned from time deposit placements

12. Income Tax

The Company's provision for income taxes consists of final income tax amounted to ₱11,361 and ₱40,309 in 2021 and 2020, respectively.

Under Philippine tax laws, the Company is subject to percentage and other taxes (presented as 'Taxes and licenses' in the statements of comprehensive income) as well as income taxes. Income taxes include final tax paid at the rate of 20.00%, which represents final withholding tax on gross interest income from deposits in banks. Final tax, as well as the MCIT, RCIT and deferred tax benefits and provisions, are presented as 'Provision for income tax' in the statements of comprehensive income.

Current tax regulations provide that the RCIT rate shall be 20.00%.

An MCIT of 1.00% on modified gross income is computed and compared with the RCIT. Any excess of the MCIT over the RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. Under current tax regulations, a corporation is subject to MCIT on the fourth taxable year immediately following the year in which the corporation commenced its business operations. In addition, NOLCO is allowed as a deduction from taxable income in the next three years from the date of inception. Current tax regulations further provide that the optional standard deduction (OSD) equivalent to 40.00% of gross income may be claimed as an alternative deduction in computing for the RCIT.

Tax regulations also provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expenses that can be claimed as deduction against taxable income. Under the regulation, EAR expenses allowed as deductible expense for a service company is limited to the actual EAR incurred or paid but not to exceed 1.00% of net revenue. In 2021 and 2020, the Company has no EAR expenses.

The table below shows the NOLCO of the Company for which no deferred tax asset is recognized as at December 31, 2021 and 2020:

Inception Year	Amount	Used/expired	Balance	Expiry Year
2021	₱260,177	₱–	₱260,177	2026
2020	145,642	–	145,642	2025
2019	306,254	–	306,254	2022
2018	120,654	120,654	–	2021
	₱832,727	₱120,654	₱712,073	

As a holding entity, the Company expects its revenue to only comprise tax paid and tax-exempt income such as interest on bank deposits and intercompany dividends. Accordingly, with the lack of future taxable income, deferred tax asset resulting from NOLCO is no longer recognized.

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

	2021	2020
Statutory income tax	**₱3,241,516**	₱1,481,369
Tax effects of:		
Nontaxable income	**(3,282,390)**	(1,464,593)
Income subject to final tax	**–**	(20,160)
Non-deductible expenses	**200**	–
Unrecognized deferred tax assets	**52,035**	43,693
Effective income tax	**₱11,361**	₱40,309

13. Approval of the Release of the Financial Statements

The accompanying financial statements were authorized for issue by the BOD of the Company on April 8, 2022.

14. Supplementary Information Required Under Revenue Regulations 15-2010

The Company reported and/or paid the following types of taxes in 2021:

Taxes and Licenses
This account consists of:

	2021
Business permits	₱11,370
Others	1,001
	₱12,371

Withholding Taxes
The following withholding taxes were remitted in 2021:

	Total Remittances	Balance as at December 31, 2021
Expanded withholding taxes	₱1,811	₱–

Tax Assessments and Cases
As at December 31, 2021, 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.