Mga Likha ni Inay, Inc.

Financial Statements
December 31, 2016 and 2015

and

Independent Auditor's Report

SGV

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Mga Likha Ni Inay, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mga Likha Ni Inay, Inc. (the Company), which comprise the statements of financial position as at December 31, 2016 and 2015, and the 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, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs).

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 PFRS for SMEs, 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 18 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 Mga Likha Ni Inay, 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.

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PTR No. 5908666, January 3, 2017, Makati City

March 30, 2017

MGA LIKHA NI INAY, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash (Note 4)	**₱8,097,622**	₱2,099,028
Receivables (Note 5)	**2,472,736**	336,713
Inventories (Note 6)	**6,068,347**	1,476,255
Other current assets (Note 7)	**414,217**	462,361
Total Current Assets	**17,052,922**	4,374,357
Noncurrent Assets		
Property and equipment (Note 8)	**410,552**	158,150
Other noncurrent assets	**38,088**	–
Total Noncurrent Assets	**448,640**	158,150
TOTAL ASSETS	**₱17,501,562**	₱4,532,507
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 9)	**₱13,896,983**	₱2,801,276
Income tax payable	**203,390**	–
Total Current Liabilities	**14,100,373**	2,801,276
Noncurrent Liability		
Retirement liability (Note 10)	**148,728**	596,542
TOTAL LIABILITIES	**14,249,101**	3,397,818
Equity		
Capital stock (Note 11)	**2,617,800**	2,617,800
Retained earnings (deficit)	**634,661**	(1,483,111)
Total Equity	**3,252,461**	1,134,689
	₱17,501,562	₱4,532,507

See accompanying Notes to Financial Statements.

MGA LIKHA NI INAY, INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2016	2015
REVENUE		
Gross sales (Note 16)	**₱37,988,804**	₱9,531,439
Cost of sales (Note 12)	**25,857,302**	8,153,242
Gross income	**12,131,502**	1,378,197
Interest income (Note 4)	**3,909**	1,829
Other income (Note 16)	**1,991,027**	1,503,415
	14,126,438	2,883,441
EXPENSES		
Outsourced services	**1,801,981**	243,170
Supplies and materials	**1,466,584**	317,121
Compensation and employee benefits (Note 14)	**1,214,591**	1,012,824
Transportation and travel	**1,027,086**	183,701
Rent (Note 13)	**882,534**	141,858
Information technology	**598,933**	17,559
Repairs and maintenance	**563,857**	27,431
Actuarial loss (gain) (Note 10)	**(504,368)**	472,157
Staff training and development	**487,191**	8,960
Program monitoring and evaluation	**431,481**	80,097
Commission and service charges	**318,396**	1,125
Management and professional fees	**302,148**	214,374
Interest (Note 16)	**260,560**	–
Provisions for (reversal of) inventory losses (Note 6)	**248,829**	(600,954)
Depreciation (Note 8)	**189,848**	50,638
Utilities	**159,946**	45,435
Communication and postage	**150,477**	120,910
Supervision and examination	**112,217**	2,319
Insurance	**102,124**	14,780
Seminars and meetings	**93,212**	88,814
Taxes and licenses	**48,515**	45,094
Miscellaneous	**1,203,864**	228,401
	11,160,006	2,715,814
INCOME BEFORE INCOME TAX	**2,966,432**	167,627
PROVISION FOR INCOME TAX (Note 15)	**848,660**	366
TOTAL COMPREHENSIVE INCOME*	**₱2,117,772**	₱167,261

*There are no other comprehensive income in 2016 and 2015.

See accompanying Notes to Financial Statements.

MGA LIKHA NI INAY, INC.
STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 11)	Retained Earnings (Deficit)	Total
At January 1, 2016	**₱2,617,800**	**(₱1,483,111)**	**₱1,134,689**
Net income for the year	**–**	**2,117,772**	**2,117,772**
At December 31, 2016	**₱2,617,800**	**₱634,661**	**₱3,252,461**
At January 1, 2015	₱1,000,000	(₱1,650,372)	(₱650,372)
Issuance of capital stocks	1,617,800	–	1,617,800
Net income for the year	–	167,261	167,261
At December 31, 2015	₱2,617,800	(₱1,483,111)	₱1,134,689

See accompanying Notes to Financial Statements.

MGA LIKHA NI INAY, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱2,966,432**	₱167,627
Adjustments for:		
Actuarial loss (gain) (Note 10)	**(504,368)**	472,157
Retirement expense (Notes 10 and 14)	**124,163**	124,385
Provisions for (reversal of) inventory losses (Note 6)	**248,829**	(600,954)
Interest expense (Note 16)	**260,560**	–
Depreciation (Note 8)	**189,848**	50,638
Interest income (Note 4)	**(3,909)**	(1,829)
Operating income before changes in operating assets and liabilities	**3,281,555**	212,024
Increase (decrease) in:		
Receivables	**(2,136,023)**	(136,302)
Inventories	**(4,840,921)**	885,742
Other assets	**10,056**	(441,361)
Increase (decrease) in trade and other payables	**10,190,659**	(863,749)
Net cash generated from (used in) operations	**6,505,326**	(343,646)
Income tax paid (Note 7)	**(782)**	(366)
Contribution to the retirement fund (Note 10)	**(67,609)**	–
Interest received	**3,909**	1,829
Net cash provided by (used in) operating activities	**6,440,844**	(342,183)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Note 8)	**(442,250)**	(126,860)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of capital stock (Note 11)	–	1,617,800
NET INCREASE IN CASH	**5,998,594**	1,148,757
CASH AT BEGINNING OF YEAR	**2,099,028**	950,271
CASH AT END OF YEAR (Note 4)	**₱8,097,622**	₱2,099,028

See accompanying Notes to Financial Statements.

1. Company Information

Mga Likha ni Inay, Inc. (the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on May 8, 2014. The main purpose of the Company is to engage in manufacturing, selling, advertising, promoting, consolidating, and trading of products of the members and clients of Center for Agriculture and Rural Development-Mutually Reinforcing Institutions (CARD-MRI).

On February 15, 2015, the Board of Trustees (BOT) of CARD-Business Development Service Foundation, Inc. (the Parent Company) approved the spin-off of the Company resulting to a total of 40% ownership of the Parent Company. In 2016, some stockholders transferred their 4% ownership to the Parent Company resulting to 44% ownership.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation
The accompanying financial statements have been prepared on a historical cost basis and are presented in Philippine Peso, the Company's functional currency. All values are rounded to the nearest peso.

Statement of Compliance
The accompanying financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs). As allowed by Section 3.19, *Financial Statement Presentation* of PFRS for SMEs, the Company only presented a statement of comprehensive income since the Company has no items of other comprehensive income in any of the periods for which the financial statements are presented.

2015 Amendments to PFRS for SME
In August 2016, the Securities and Exchange Commission resolved to adopt the 2015 Amendments to the PFRS for SMEs as part of its rules and regulations on financial reporting.

The amendments clarify existing requirements and add supporting guidance to the existing standard rather than change the underlying requirements. Among the most significant amendments to the standard are:

- Permitting SMEs to use the revaluation model to measure items of property, plant and equipment;
- Aligning the recognition and measurement requirements for deferred income tax with full PFRSs; and
- Allowing SMEs to use the equity method to account for investments in subsidiaries, associates and jointly controlled entities in the separate financial statements.

The amendments are effective for annual periods beginning or on after January 1, 2017. Earlier application is permitted.

The adoption of this is not expected to have a significant impact on the Company's financial statements. The Company intends to adopt the amendments when these become effective.

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

Financial Instruments - Initial Recognition and Subsequent Measurement
Initial recognition of financial instruments
All financial assets and financial liabilities are initially measured at fair value, which is normally the transaction price. Except for financial assets and financial liabilities at FVPL, the initial measurement of financial instruments includes transaction costs. The Company classifies its financial assets in the following categories: financial assets at FVPL, financial assets that are debt instruments at amortized cost, financial assets that are unquoted equity instruments at cost less impairment, and loan commitments at cost less impairment. Financial liabilities are classified into the following categories: financial liabilities at FVPL and financial liabilities at amortized cost.

The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. Management determines the classification at initial recognition and re-evaluates such designation, where allowed and appropriate, at every reporting date.

Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.
As of December 31, 2016 and 2015, the Company has no loan commitments at cost less impairment, financial instruments at FVPL and financial assets that are unquoted equity instruments at cost less impairment.

Financial assets that are debt instruments at amortized cost
This category includes receivables and cash in bank. After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest method, less allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate (EIR).

Financial liabilities at amortized cost
This category includes trade and accounts payable, which are not designated as at FVPL and where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder.

After initial measurement, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR.

Derecognition of Financial Assets and Liabilities
Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized only when:

1. the contractual rights to the cash flows from the financial asset have expired or are settled; or
2. the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
3. the Company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to

sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Company derecognizes the asset, and recognizes separately any rights and obligations retained or created in the transfer.

If a transfer does not result in derecognition because the Company has retained significant risks and rewards of ownership of the transferred asset, the Company continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The asset and liability shall not be offset. In subsequent periods, the Company recognizes any income on the transferred asset and any expense incurred on the financial liability.

Financial liabilities
A financial liability (or a part of a financial liability) is derecognized only when it is extinguished (i.e., when the obligation specified in the contract is discharged, is 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement comprehensive income.

<u>Offsetting Financial Instruments</u>
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability 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.

<u>Impairment of Financial Assets</u>
The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows.

For instruments 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 EIR. If such a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR determined under the contract.

For instruments measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate (which will necessarily be an approximation) of the amount (which might be zero) that the Company would receive for the asset if it were to be sold at the reporting date.

If in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to the 'Reversal of allowance for impairment losses' in the statement of comprehensive income.

Inventories

Inventories are stated at the lower of cost and its net realizable value (NRV). Costs of inventories include all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The Company's inventories are accounted for on a first-in, first-out basis.

NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. NRV for inventories represent the related replacement costs. Any decrease in inventories arising from impairment is recognized in profit or loss in the statement of comprehensive income.

Impairment of Inventories

At each reporting date, inventories are assessed for impairment, i.e. the amount is not fully recoverable because of damage, obsolescence or declining selling prices. The Company measures impairment loss by comparing the carrying amount of each item of inventory with its selling price less cost to sell. If an item of inventory is impaired, its carrying amount is reduced to selling price less cost to sell and an impairment loss is recognized immediately in the statement of comprehensive income.

If an impairment loss subsequently reverses, the carrying amount of inventories is increased to the revised estimate or its recoverable amount but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (or group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive income.

Prepayments

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

Property and Equipment

Property and equipment is carried at cost less accumulated depreciation and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the item. All other repair and maintenance expenses are charged to current operations as incurred.

Depreciation is calculated on a straight-line basis over the useful life of three (3) years.

The useful life and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from the asset.

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

When items of property and equipment are retired or otherwise disposed of, their cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the statement of income in the year the items are sold or retired.

Fully depreciated assets are still carried in the accounts until they are no longer in use.

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

Retained Earnings (Deficit)
Retained earnings (deficit) represents the cumulative balance of periodic net income or loss of the Company, net of any dividend declarations.

Revenue Recognition
Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment was made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts and sales tax. The Company is acting as a principal in all its arrangement transactions.

Sales
Revenue from sale of goods is recognized upon delivery, when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of any trade discounts, prompt payment discounts and volume rebates.

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

Other income
Other income arises from services rendered to affiliates other than selling of goods. This income is also subject to 12% VAT and is recognized when the related services are rendered.

Cost of Sales
Cost that includes all expenses associated with the specific sale of goods. Cost of sales includes the purchase price and capitalizable purchase costs less any related purchase returns, discounts and allowances. Such costs are recorded in the statement of comprehensive income upon recognition of sales.

Expense Recognition
Expenses are recognized in the statement of comprehensive 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 comprehensive 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 statements of financial position as an asset.

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 non-routine settlements are recognized as expense in the statement of comprehensive 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 comprehensive 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 comprehensive 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.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement.
b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term.
c. There is a change in the determination of whether fulfillment is dependent on a specified asset.
d. There is a substantial change to the asset.

When a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d above, and at the date of renewal or extension period for scenario b.

Company as lessee
Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Income Taxes
Current tax
Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities.

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

Deferred tax liabilities are recognized for all temporary differences that are expected to increase taxable profit in the future. 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). Deferred tax assets are measured at the highest amount that, on the basis of current or estimated future taxable profit, is more likely than not to be recovered. The Company is not yet subject to MCIT as it only started its commercial operations in 2014.

The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustment is recognized in the statement of comprehensive income.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (loss) of the periods in which it expects the deferred tax assets to be realized or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period. A valuation allowance is provided, on the basis of past years and future expectations, when it is not probable that taxable profits will be available against which the future income tax deductions can be utilized.

Provisions

Provisions are recognized when: (a) the Company has an obligation at the reporting date as a result of a past event; (b) it is probable (i.e., more likely than not) that the entity will be required to transfer economic benefits in settlement; (c) and the amount of the obligation can be estimated reliably. Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

Contingencies

Contingent liabilities are not recognized in the financial statements. They 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

Post year-end events that provide additional information about the Company's financial position at reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements, when material.

3. Significant Accounting Judgment and Estimates

The preparation of financial statements in accordance with PFRS for SMEs 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.

Judgment

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Estimates

(a) *Impairment of non-financial assets*
The Company assesses impairment on inventories and property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- Significant or prolonged decline in fair value of the asset
- Significant underperformance relative to expected historical or projected future operating results
- Significant changes in the manner of use of the acquired assets or the strategy for overall business
- Significant negative industry or economic trends

As at December 31, 2016 and 2015, the carrying values of inventories and property and equipment are disclosed in Notes 6 and 8, respectively.

(b) *Recognition of deferred tax asset*
The Company reviews the net carrying amount of deferred tax asset at each reporting date and adjusts it, using valuation allowance, 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 income tax assets to be utilized. Significant management judgment is required to determine the amount of deferred tax asset that can be recognized based upon the likely timing and level of future taxable profits together with future tax planning strategies.

As at December 31, 2016 and 2015, the Company recognized deferred tax assets but provided full valuation allowance on the basis of future expectations as disclosed in Note 15.

(c) *Present value of retirement obligation*
The cost of defined benefit pension 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 at 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 10.

4. **Cash**

This account consists of:

	2016	2015
Petty cash	**₱25,000**	₱25,000
Cash in bank	**8,072,622**	2,074,028
	₱8,097,622	₱2,099,028

Cash in bank consists of savings deposit account, earning at annual interest rate of 0.25% in 2016 and 2015. The Company earned interest income amounting to ₱3,909 and ₱1,829 in 2016 and 2015, respectively.

5. Receivables

This account consists of:

	2016	2015
Trade receivables	**₱2,177,535**	₱69,949
Due from affiliates (Note 16)	**267,250**	197,234
Due from Parent Company (Note 16)	**27,951**	69,530
	₱2,472,736	₱336,713

Trade receivables arose from ordinary course of business transactions which are non-interest bearing and are generally collectible on a 30-day period. Due from affiliates include expenses, paid initially by the Company for seminars and meetings on behalf of the entities within the CARD-MRI which are collectible from the affiliated CARD-MRI entities. Due from Parent Company represents the balance of unremitted collections from outlets received by the Parent Company on behalf of the Company.

6. Inventories

This account consists of:

	2016	2015
Inventories (Note 12)	**₱6,163,803**	₱1,506,383
Less allowance on inventory losses	**95,456**	30,128
	₱6,068,347	₱1,476,255

Inventories pertain to woven fabrics, woodcrafts, leather works, ethnic accessories and groceries intended for sale. It also includes undelivered goods to CARD Bank Inc. and Rizal Bank Inc. (RBI) as of December 31, 2016 pertaining to stockholders bags for the 30th anniversary of CARD MRI.

The movements in the allowance for inventory losses follow:

	2016	2015
At January 1	**₱30,128**	₱709,353
Provision (reversal) for inventory losses	**248,829**	(600,954)
Write-offs	**(183,501)**	(78,271)
At December 31	**₱95,456**	₱30,128

The cost of inventories recognized under ‘Cost of sales’ in the statement of comprehensive income amounted to ₱25.86 million and ₱8.15 million in 2016 and 2015, respectively (Note 12).

7. Other Current Assets

This account consists of:

	2016	2015
Prepaid expenses	**₱414,217**	₱231,472
Creditable withholding tax	**–**	230,889
	₱414,217	₱462,361

Prepaid expenses consist of unexpired insurance premiums and advance rental for the lease of office and outlet spaces.

In 2016 and 2015, the Company applied the creditable withholding taxes against income tax payable amounting to ₱0.64 million and nil, respectively.

8. Property and Equipment

The composition of and movements in this account follow:

	December 31, 2016		
	Furniture and Equipment	**Computer Equipment**	**Total**
Cost			
Balance at beginning of the year	**₱210,242**	**₱11,760**	**₱222,002**
Additions	**442,250**	**–**	**442,250**
Balance at end of the year	**652,492**	**11,760**	**664,252**
Accumulated depreciation			
Balance at beginning of the year	**(60,259)**	**(3,593)**	**(63,852)**
Depreciation	**(185,928)**	**(3,920)**	**(189,848)**
Balance at end of the year	**(246,187)**	**(7,513)**	**(253,700)**
Net book value at December 31	**₱406,305**	**₱4,247**	**₱410,552**

	December 31, 2015		
	Furniture and Equipment	Computer Equipment	Total
Cost			
Balance at beginning of the year	₱95,142	₱–	₱95,142
Additions	115,100	11,760	126,860
Balance at end of the year	210,242	11,760	222,002
Accumulated depreciation			
Balance at beginning of the year	(13,214)	–	(13,214)
Depreciation	(47,045)	(3,593)	(50,638)
Balance at end of the year	(60,259)	(3,593)	(63,852)
Net book value at December 31	₱149,983	₱8,167	₱158,150

9. Trade and Other Payables

This account consists of:

	2016	2015
Financial		
Due to Parent Company (Note 16)	**₱6,287,173**	₱2,191,063
Due from affiliates (Note 16)	**5,367,856**	35,987
Accrued expenses	**914,196**	103,142
Accounts payable	**567,879**	379,926
	13,137,104	2,710,118
Others		
VAT payable	**632,036**	87,384
Withholding taxes payable	**127,843**	3,774
	759,879	91,158
	₱13,896,983	₱2,801,276

Accrued expenses include accumulated vacation leave, bonuses, short-term employee benefits and other expenses.

Accounts payable represents due to suppliers for inventory purchases.

VAT payable pertains to the excess of the output VAT from sales over the input VAT from purchases of goods and services.

10. Retirement Benefits

The Company, CARD Bank Inc., CARD MRI Development Institute, Inc. (CMDI), CARD Mutual Benefit Association (MBA), Inc., CARD SME Bank, Inc., CARD MRI Insurance Agency (CAMIA), Inc., CARD Business Development Service Foundation, Inc. (BDSFI), Inc., CARD MRI Information Technology, Inc. (CMIT), CARD Employees Multi-Purpose Cooperative (EMPC), Responsible Investments for Solidarity and Empowerment Financing Co. (RISE), BotiCARD Inc., CARD Leasing and Finance Corporation (CLFC), RBI and CARD, Inc., maintain a funded and formal noncontributory defined benefit retirement plan - the CARD MRI Multi-Employer Retirement Plan (MERP) - covering all of their regular employees and CARD Group Employees' Retirement Plan (Hybrid Plan) applicable to employees hired on or after July 1, 2016. MERP is valued using the projected unit cost method and is financed solely by the Company and its related parties.

MERP comply with the requirements of Republic Act No. 7641 (Retirement Law). MERP provides lump sum benefits equivalent to up to 120% of final salary for every year of credited service, a fraction of at least six (6) months being considered as one whole year, upon retirement, death, total and permanent disability, or voluntary separation after completion of at least one year of service with the participating companies.

The latest actuarial valuation report covers reporting period as at December 31, 2016

Changes in net defined benefit liability in 2016 and 2015 follow:

	2016											
		Retirement Cost				**Remeasurement Losses (Gains)**						
	January 1, 2016	**Current service cost**	**Net interest**	**Subtotal**	**Benefits paid**	**Transfer from (to) plan assets**	**Return on plan assets (excluding amount included in net interest)**	**Actuarial changes arising from changes in demographic assumptions**	**Actuarial changes arising from changes in financial assumptions**	**Changes in remeasurement losses (gains)**	**Contribution by employer**	**December 31, 2016**
Present value of defined benefit obligation	**₱818,442**	**₱131,380**	**₱41,249**	**₱172,629**	**₱–**	**₱1,411,863**	**₱–**	**₱1,058,516**	**(₱1,649,124)**	**(₱590,608)**	**₱–**	**₱1,812,326**
Fair value of net plan assets	**(221,900)**	**–**	**(48,466)**	**(48,466)**	**–**	**(1,411,863)**	**86,240**	**–**	**–**	**86,240**	**(67,609)**	**(1,663,598)**
Net defined benefit liability	**₱596,542**	**₱131,380**	**(₱7,217)**	**₱124,163**	**₱–**	**₱–**	**₱86,240**	**₱1,058,516**	**(₱1,649,124)**	**(₱504,368)**	**(₱67,609)**	**₱148,728**

	2015											
		Retirement Cost				Remeasurement Losses (Gains)						
	January 1, 2015	Current service cost	Net interest	Subtotal	Benefits paid	Transfer from (to) plan assets	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Changes in remeasurement losses (gains)	Contribution by employer	December 31, 2015
Present value of defined benefit obligation	₱–	₱124,385	₱–	₱124,385	₱–	₱221,900	₱–	₱472,157	₱–	₱472,157	₱–	₱818,442
Fair value of net plan assets	–	–	–	–	–	(221,900)	–	–	–	–	–	(221,900)
Net defined benefit liability	₱–	₱124,385	₱–	₱124,385	₱–	₱–	₱–	₱472,157	₱–	₱472,157	₱–	₱596,542

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

	2016	2015
Cash and cash equivalents	**₱691,059**	₱90,335
Government securities	**815,828**	101,431
Loans	**125,602**	23,433
Mutual funds	**8,651**	1,731
Other assets	**22,458**	4,970
	₱1,663,598	₱221,900

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

The plan assets have diverse investments and do not have any concentration risk other than those in government securities which are of low risk.

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

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

	2016	2015
Discount rate	**5.86%**	5.04%
Future salary increases	**7.00%**	10.00%

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

	2016		2015	
	Increase of 1.0%	**Decrease of 1.0%**	Increase of 1.0%	Decrease of 1.0%
Discount rate	**(₱280,787)**	**₱345,860**	(₱204,413)	₱277,220
Future salary increase	**318,359**	**(266,001)**	250,854	(192,652)

Shown below is the 25-year maturity analysis of the undiscounted benefit payments of the Company:

	2016	2015
Less than 1 year	**₱38,129**	₱–
More than 1 year to 5 years	**204,762**	–
More than 5 years to 10 years	**393,820**	–
More than 10 years to 15 years	**–**	–
More than 15 years to 20 years	**–**	–
More than 20 years to 25 years	**–**	–
	₱636,711	₱–

The Company plans to contribute ₱63,655 to the defined benefit retirement plan in 2017.

The average duration of the defined benefit obligation at the end of the reporting period is 17.3 years.

11. Equity

Capital Stock

The Company's capital stock consists of:

	2016		2015	
	Shares	**Amount**	Shares	Amount
Common stock - ₱100 par value, 50,000 authorized shares				
Issued and outstanding				
Issuance of shares at beginning of year	**10,000**	**₱1,000,000**	10,000	₱1,000,000
Issuances of shares of stocks from settlement of subscriptions receivables	**16,178**	**1,617,800**	16,178	1,617,800
Common stock at end of the year	**26,178**	**2,617,800**	26,178	2,617,800
Subscribed	**23,822**	**2,382,200**	23,822	2,382,200
Subscription receivable	**–**	**(2,382,200)**	–	(2,382,200)
	50,000	**₱2,617,800**	50,000	₱2,617,800

On May 8, 2014, the SEC approved the registration of fifty thousand (50,000) common shares at ₱100 par value per share of the Company, of which 12,500 shares were subscribed at ₱100 per share. The subscription for the 2,500 shares was paid on February 24, 2015.

In 2015, the remaining 37,500 shares were subscribed at ₱100 per share, with 16,178 shares issued for fully paid subscriptions. There were no movements in the Company's capital stock in 2016.

12. Cost of Sales

The rollforward analysis of this account follows:

	2016	2015
Inventories at beginning of period	**₱1,506,383**	₱2,470,396
Purchases during the period	**30,514,722**	7,189,229
Inventories available for sale	**32,021,105**	9,659,625
Inventories at end of period (Note 6)	**6,163,803**	1,506,383
	₱25,857,302	₱8,153,242

13. Lease Contract

The Company leases offices and outlets. The lease contracts with terms of one to three years and are renewable upon mutual agreement between the Company and the lessors. Rent expense amounted to ₱0.88 million and ₱0.14 million in 2016 and 2015, respectively.

Future minimum lease payments payable under these operating leases follow:

	2016	2015
Within one year	**₱917,664**	₱341,580
Beyond one year but not more than five years	**248,664**	245,472
	₱1,166,328	₱587,052

14. **Compensation and Employee Benefits**

This account consists of:

	2016	2015
Salaries and wages	**₱555,608**	₱467,133
Short-term employee benefits	**534,820**	421,306
Retirement benefits (Note 10)	**124,163**	124,385
	₱1,214,591	₱1,012,824

15. **Income Taxes**

Current tax regulations provide that RCIT rate shall be 30.0%. Interest expense allowed as a deductible expense is reduced by 33.0% of interest income subjected to final tax.

In addition, effective September 1, 2002, Revenue Regulation No. 10-2002 provides for the ceiling on the amount of Entertainment, amusement and recreation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulation, EAR allowed as a deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.0% of net revenue for companies engaged in the sale of services. EAR paid or incurred in 2016 and 2015 both amounted to nil.

An MCIT of 2.0% on modified gross income is computed and compared with RCIT. Any excess of MCIT over RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. Imposition of MCIT will commence on the Company's fourth taxable year immediately following the year in which the Company commenced its business operations. The Company is not yet eligible for MCIT being in its third year of operation.

The Company was registered with the BIR on August 4, 2014.

In addition, NOLCO is allowed as a deduction from taxable income in the next three years from the period of incurrence.

The provision for income tax in 2016 and 2015 consists of:

	2016	2015
Current:		
RCIT	**₱847,878**	₱–
Final tax	**782**	366
	₱848,660	₱366

Reconciliation between the statutory income tax and the effective income tax follows:

	2016	2015
Statutory income tax	**₱889,930**	₱50,288
Tax effects of:		
Movements in valuation allowance on deferred tax assets	**(372,213)**	(49,739)
Nondeductible expenses	**331,334**	–
Income subjected to final tax	**(391)**	(183)
Provision for income tax	**₱848,660**	₱366

The Company's deferred tax assets consist of:

	2016	2015
Tax effects of:		
NOLCO	**₱–**	₱257,467
Retirement liability	**44,618**	178,962
Allowance for inventory losses	**28,636**	9,038
	73,254	445,467
Less valuation allowance	**(73,254)**	(445,467)
	₱–	₱–

In 2016, the Company applied all remaining NOLCO to its taxable income amounting to ₱0.86 million.

16. 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. The Company's related parties include:

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

The Company has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business.

Remunerations of Directors and other Key Management Personnel
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Company considers the members of the board of directors and senior management to constitute key management personnel.

Other related party transactions
Transactions between the Company and its key management personnel meet the definition of related party transactions. Transactions between the Company and its affiliates within the CARD-MRI, also qualify as related party transactions.

Accounts payable and accounts receivable

Accounts payable and accounts receivable held by the Company for Parent Company and affiliates as at December 31, 2016 and 2015 follow:

		December 31, 2016	
Category	Amount/Volume	Outstanding Balance	Nature, Terms and Conditions
Parent Company			
Accounts receivables		**₱27,951**	This pertains to unremitted collections made on behalf of the Company for sale of souvenirs, and agricultural products. Also includes share of expenses for meetings held by CARD-MRI group (unimpaired, due and demandable).
Billings	**₱726,492**		
Collections	**(768,071)**		
Other income	**94,259**		This pertains to facilitation fee for product development.
Accounts payable		**6,287,173**	This pertains to the unpaid inventories and shared expenses shouldered by the Parent Company.
Billings	**6,272,418**		
Payments	**(2,176,308)**		
Affiliates*			
Cash in bank		**5,542,319**	This pertains to checking and savings account with annual interest of 0.25%
Deposit	**27,071,581**		
Withdrawal	**(21,529,262)**		
Accounts receivables		**267,250**	This pertains to unremitted collections made on behalf of the Company for sale of souvenirs, and agricultural products. Also includes share of expenses at on meetings held by CARD-MRI group (unimpaired, due and demandable).
Billings	**15,405,450**		
Collections	**(15,335,434)**		
Other income	**1,320,125**		This pertains to facilitation fee for the sale of furniture and stationeries.
Accounts payable		**5,367,856**	This pertains to financing loans from CLFC..
Billings	**11,747,920**		
Payments	**(6,416,051)**		
Interest expense	**260,560**		This pertains to 2% interest on financing loans.

		December 31, 2015	
Category	Amount/Volume	Outstanding Balance	Nature, Terms and Conditions
Parent Company			
Accounts receivables		₱69,530	This pertains to unremitted collections made on behalf of the Company for sale of souvenirs, and agricultural products. Also includes share of expenses for meetings held by CARD-MRI group (unimpaired, due and demandable).
Billings	₱2,329,868		
Collections	(2,447,949)		
Other income	4,267		This pertains to facilitation fee for the sale of rice.
Accounts payable		2,191,063	This pertains to the unpaid inventories and shared expenses shouldered by the Parent Company.
Billings	723,344		
Payments	(1,447,227)		
Affiliates*			
Accounts receivables		197,234	This pertains to unremitted collections made on behalf of the Company for sale of souvenirs, and agricultural products. Also includes share of expenses at on meetings held by CARD-MRI group (unimpaired, due and demandable).
Billings	27,442,851		
Collections	(27,252,412)		
Other income	1,499,148		This pertains to facilitation fee for the sale of rice.
Accounts payable		35,987	This pertains to the unpaid services rendered by an affiliate.
Billings	641,113		
Payments	(607,514)		

**Includes CARD, Inc., CARD Bank., CARD SME Bank., RBI., CMIT., RISE, CMDI., BotiCARD Inc., CLFC, CARD EMPC, CARD MBA and CAMIA*

17. **Approval of the Release of the Financial Statements**

The accompanying financial statements of the Company were reviewed and approved for release by the Company's Board of Directors on March 30, 2017.

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

On November 25, 2010, the Bureau of Internal Revenue (BIR) issued RR 15-2010 to amend certain provisions of RR No. 21-2002 which provides that starting 2010, the notes to the financial statements shall include information on taxes, duties and licenses paid or accrued during the year.

The components of 'Taxes and licenses' recognized in the statement of comprehensive income follow:

Business permits and licenses	₱26,129
Others	22,386
	₱48,515

Other taxes consists of annual registration fee and other taxes paid.

The following withholding taxes are categorized into:

	Total Remittances	Balance as at December 31, 2016
Expanded withholding taxes	₱241,713	₱112,398
Withholding tax on compensation and benefits	21,916	15,445
	₱263,629	₱127,843

Value added tax (VAT)
The National Internal Revenue Code of 1997 also provides for the imposition of VAT on sales of goods and services. Accordingly, the Company's sales are subject to output VAT while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT. VAT rate is 12.0%, effective February 1, 2006.

Details of the Company's input tax claimed per VAT returns filed with BIR are as follows:

Balance at beginning of period	₱–
Current year's purchases of:	
Goods other than capital goods	2,533,210
Total input VAT available	2,533,210
Output VAT	(2,533,210)
Balance at end of period	₱–

In 2016, the Company declared receipts on sales and corresponding output tax amounting to ₱34.67 million and ₱4.16 million, respectively. In 2016, the Company also declared VATable miscellaneous receipts and corresponding output tax amounting to ₱1.99 million and ₱0.24 million.

The Company also declared VAT-exempt sales from sale of muscovado sugar and dried fish amounting to ₱3.32 million.

Tax Contingencies

The Company did not receive any final tax assessments in 2016 nor did it have tax cases under preliminary investigation, litigation and/or prosecution in any courts or bodies outside the administration of BIR.