MGA LIKHA NI INAY, INC.

Financial Statements

December 31, 2020 and 2019

and

Independent Auditor's Report

ENDRIGA, MANANGU & ASSOCIATES
Certified Public Accountants

MGA LIKHA NI INAY, INC.
STATEMENT OF FINANCIAL POSITION

			As of December 31		
	Notes		**2020**		2019
ASSETS					
CURRENT ASSETS					
Cash	*3, 5*	**P**	**1,624,736**	P	4,411,612
Trade and other receivables	*3, 6*		**2,061,791**		2,972,244
Inventories	*3, 7*		**3,947,165**		6,359,159
Other current assets	*3, 8*		**576,481**		477,378
Total Current Assets			**8,210,173**		14,220,393
NONCURRENT ASSETS					
Property and equipment - net	*3, 9*		**333,009**		342,654
Retirement asset	*3, 12*		**639,135**		840,953
Other noncurrent assets	*3, 8*		**71,006**		151,361
Total Noncurrent Assets			**1,043,150**		1,334,968
TOTAL ASSETS		**P**	**9,253,323**	P	15,555,361
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Trade and other payables	*3, 10*	**P**	**6,471,023**	P	7,735,347
Loan payables - current portion	*3, 11*		**1,431,955**		3,206,376
Total Current Liabilities			**7,902,978**		10,941,723
NONCURRENT LIABILITIES					
Loan payables - noncurrent portion	*3, 11*		**-**		337,017
Total Noncurrent Liabilities			**-**		337,017
Total Liabilities			**7,902,978**		11,278,740
EQUITY					
Capital stock	*3, 13*		**2,800,750**		2,617,800
Retained earnings (deficit)	*3*		**(1,450,405)**		1,658,821
Total Equity	*3*		**1,350,345**		4,276,621
TOTAL LIABILITIES AND EQUITY		**P**	**9,253,323**	P	15,555,361

See accompanying Notes to Financial Statements.

MGA LIKHA NI INAY, INC.

STATEMENT OF INCOME

		For the Years Ended December 31			
	Notes		**2020**		2019
REVENUES	*3, 14*	**P**	**18,023,322**	P	29,976,178
COST OF GOODS SOLD	*3, 15*		**(11,688,457)**		(20,245,634)
COST OF SERVICES	*3, 15*		**(1,105,293)**		-
GROSS INCOME			**5,229,572**		9,730,544
ADMINISTRATIVE EXPENSES	*3, 16*		**(8,058,236)**		(9,898,125)
NET LOSS FROM OPERATIONS			**(2,828,664)**		(167,581)
OTHER INCOME (CHARGES) - NET	*3, 17*		**(175,097)**		615,875
NET INCOME (LOSS) BEFORE INCOME TAX			**(3,003,761)**		448,294
PROVISION FOR INCOME TAX	*3, 18*		**105,465**		196,948
TOTAL INCOME (LOSS)		**P**	**(3,109,226)**	P	251,346

See accompanying Notes to Financial Statements.

MGA LIKHA NI INAY, INC.

STATEMENT OF CHANGES IN EQUITY

	As of December 31		
	Capital Stock *(Note 13)*	**Retained Earnings**	**Total**
At January 1, 2020	**P 2,617,800**	**P 1,658,821**	**P 4,276,621**
Issuance of stocks	**182,950**	**-**	**182,950**
Net loss after income tax	**-**	**(3,109,226)**	**(3,109,226)**
At December 31, 2020	**P 2,800,750**	**P (1,450,405)**	**P 1,350,345**
At January 1, 2019	P 2,617,800	P 1,407,475	P 4,025,275
Net income after income tax	-	251,346	251,346
At December 31, 2019	P 2,617,800	P 1,658,821	P 4,276,621

See accompanying Notes to Financial Statements.

MGA LIKHA NI INAY, INC.
STATEMENT OF CASH FLOWS

		For the Years Ended December 31			
	Notes		**2020**		2019
CASH FLOWS FROM OPERATING ACTIVITIES					
Income before income tax		**P**	**(3,003,761)**	P	448,294
Adjustment for:					
Interest expense	*16*		**370,008**		481,183
Depreciation	*9, 16*		**271,137**		301,508
Retirement expense, net of contributions paid	*12, 16*		**16,628**		48,054
Loss on inventory	*16*		**-**		523,902
Actuarial loss (gain) on retirement plan	*17*		**185,190**		(521,405)
Interest income	*17*		**(3,731)**		(2,491)
Operating income (loss) before working capital changes			**(2,164,529)**		1,279,045
Changes in operating assets and liabilities					
Decrease (increase) in:					
Trade and other receivables	*6*		**910,453**		(155,929)
Inventories	*7*		**2,411,994**		(1,836,736)
Other current assets	*8*		**2,029**		102,029
Increase (decrease) in:					
Trade and other payables	*10*		**(1,264,324)**		2,951,648
Net cash flow provided by (used in) operations			**(104,377)**		2,340,058
Interest received	*17*		**3,731**		2,491
Interest paid	*16*		**(370,008)**		(481,183)
Income tax paid	*18*		**(206,597)**		(312,361)
Net cash flow provided by (used in) operating activities			**(677,251)**		1,549,005
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property and equipment	*9*		**(261,492)**		(185,035)
Decrease in other noncurrent assets	*8*		**80,355**		8,456
Net cash flow used in investing activities			**(181,137)**		(176,579)
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase (decrease) in loan payables	*11*		**(2,111,438)**		1,490,273
Issuance of shares of stocks			**182,950**		-
Net cash flow provided by (used in) financing activities			**(1,928,488)**		1,490,273
NET INCREASE (DECREASE) IN CASH			**(2,786,876)**		2,862,699
CASH AT BEGINNING OF THE YEAR	*5*		**4,411,612**		1,548,913
CASH AT END OF THE YEAR		**P**	**1,624,736**	P	4,411,612

See accompanying Notes to Financial Statements.

1. Corporate Information

MGA LIKHA NI INAY, INC. (the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on May 8, 2014 with a SEC registration number of CS201408286. 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).

The Company is 44% owned by the CARD Business Development Service Foundation, Inc., a major stockholder.

The Company's registered address is located at 20 M.L. Quezon Street, City Subdivision, San Pablo City, Laguna.

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

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

At the onset of the pandemic, the Company implemented a consolidated approach to its revenue streams. For March and April 2020, the Company pilot tested the run of Palengke on Wheels (Mobile Market) and by May 2020, Fooddala (a food delivery service) was pilot tested. While, starting May 2020 also, we resumed our distribution business. From May 2020 until the present, the Company has been concentrating its activities on these three major revenue streams: a) Palengke on Wheels; b) Fooddala; and c) Distribution.

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

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

2. Financial Reporting Framework

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

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

In March 2018, the Philippine SEC mandated the use of Philippine Financial Reporting Standards for Small Entities (PFRS for SEs) starting January 1, 2019 for companies with total assets or total liabilities of between Three Million Pesos (P3,000,000) to One Hundred Million Pesos (P100,000,000). However, the financial statements of the Company were consolidated with the financial statements of the Parent Company that controls it. The aforementioned Parent Company uses PFRS for SMEs for its financial reporting framework. Hence, the company availed of the exemption from applying the PFRS for SEs and continued to apply the PFRS for SMEs in 2019 (as it did in 2018).

In 2020, the Parent Company ceased to be a parent company in 2020, from being one in 2019 hence the Company is no longer required to consolidate and will apply the PFRS for SEs starting January 1, 2020.

The financial statements as of and for the year ended December 31, 2020 are the first financial statements prepared by the Company in accordance with the PFRS for SEs. In preparing these financial statements, the Company's opening statement of financial position was prepared as of January 1, 2020, the Company's transition date to the PFRS for SEs from the PFRS for SMEs.

Application of the PFRS for SEs

The Company's financial statements for the year ended December 31, 2020 are its first annual financial statements under accounting policies that comply with the PFRS for SEs. The Company prepared its opening PFRS for SEs statement of financial position on January 1, 2020, its transition date.

Reconciliations

The following reconciliations show the effect on the Company's equity of the transition from the PFRS for SMEs to the PFRS for SEs as at January 1, 2020 and December 31, 2019, and the Company's profit and loss for the year ended December 31, 2019.

Reconciliation of equity:

		Jan. 1, 2020		Dec. 31, 2019
Capital Stock	P	2,617,800	P	2,617,800
Retained Earnings (RE):				
Total Retained Earnings under PFRS for SMEs		1,658,821		1,658,821
No transition adjustments		-		-
Total Retained Earnings under PFRS for SEs		1,658,821		
Other Comprehensive Income (OCI) equity item				-
Total Equity under PFRS for SMEs			P	1,658,821
Total Equity under PFRS for SEs	P	4,276,621		

Reconciliation of profit and loss:

		Year 2019
Total comprehensive income under PFRS for SMEs	P	251,346
No transition adjustments		-
Net income under PFRS for SEs	P	251,346

Explanation of transition to the PFRS for SEs

i. Deferred taxes

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

ii. Retirement benefit

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

3. Summary of Significant Accounting Policies

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

Presentation of Financial Statements

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

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

Current versus Non-current Classification

The Company presents assets and liabilities in statement of financial position based on current/noncurrent classification. An asset is current when it is:

i. Expected to be realized or intended to be sold or consumed in the normal operating cycle;
ii. Expected to be realized within twelve months after the reporting date; or
iii. Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets are classified as non-current.

A liability is current when:
i. It is expected to be settled in the normal operating cycle;
ii. It is due to be settled within twelve months after the reporting date; or
iii. There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting date.

All other liabilities are classified as non-current.

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 measurement of financial instruments

An entity shall recognize a financial asset or a financial liability only when the entity becomes a party to the contractual provisions of the instrument.

All financial instruments are initially recognized at transaction price (including transaction costs) unless the arrangement constitutes, in effect, a financing transaction. A financing transaction may take place in connection with the sale of goods or services, for example, if payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate. If the arrangement constitutes a financing transaction, the entity shall measure the financial asset or financial liability at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial instruments that are debt instruments measured at amortized cost
These are debt instruments, such as receivables or payables, which satisfy all of the following conditions:

a) Return to the holder is a fixed amount; a fixed rate of return over the life of the instrument; a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or some combination of such fixed rate and variable rates, provided that both the fixed and variable rates are positive.

b) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

c) Contractual provisions that permit the issuer (the debtor) to prepay a debt instrument or permit the holder (the creditor) to put it back to the issuer before maturity are not contingent on future events.

d) There are no conditional returns or repayment provisions except for the variable rate of return described in (a) and prepayment provisions described in (c).

Debt instruments that meet the conditions above are measured at amortized cost using the effective interest method. Cash and debt instruments that are classified as current assets or current liabilities shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received (i.e. net of impairment) unless the arrangement constitutes, in effect, a financing transaction. If the arrangement constitutes a financing transaction, the Company shall measure the debt instrument at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Classified under financial assets that are debt instruments measured at amortized cost are the Company's 'Trade and other receivables' account in the statement of financial position.

Classified under financial liabilities measured at amortized cost are the Company's 'Trade and other payable' account in the statement of financial position.

Derecognition of Financial Assets and Liabilities
i. Financial assets
A financial asset is derecognized 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.

ii. Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. 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 of income.

Impairment of Financial Assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

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

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 write down of cost to NRV is recognized under 'Provision for inventory losses' account in the statement of income.

Write down of Inventories

At each reporting date, inventories are assessed for write down, i.e., the amount is not fully recoverable because of damage or declining selling prices. The Company measures loss on write-off by comparing the carrying amount of each item of inventory with its selling price less cost to sell. If the cost of an item of the inventory is higher than NRV, its carrying amount is reduced to selling price less cost to sell and loss is recognized immediately in the statement of income. The inventory is eventually written off against the related provision in cases of obsolescence or when inventory is no longer saleable.

Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and 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.

Other Current Assets

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

Property and Equipment

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

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

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

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

Impairment of Non-Financial Assets

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

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

Provisions and Contingencies

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

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

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

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

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

Revenue Recognition
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.

Service fee
Service fee 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.

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 is recognized when cash is received.

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

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

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

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

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

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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

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

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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 income on a straight-line basis over the lease term.

Income Tax

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.

Related Parties

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

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

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

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

4. Information About Key Sources of Estimation Uncertainty and Judgments

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future.

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

(a) Recoverable value of inventories
The Company assesses the recoverable amounts of its inventories at each reporting date. Inventories are assessed by comparing the carrying amount of each item of inventory with its selling price less cost to sell. An inventory is written down to the selling price less cost to sell when such amount is lower than cost, with the loss immediately recognized in the statement of income.

The carrying value of the Company's inventories are disclosed in Note 7.

(b) Present value of retirement asset
The determination of the Company’s retirement cost is dependent on certain assumptions used by the actuary in calculating such amount. Those assumptions are described in Note 12 to the financial statements and include, among others, discount rate, future salary increase and average remaining working lives of employees. While management believes that the assumptions are reasonable and appropriate, significant differences in the Company’s actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligation.

(c) Recognition of deferred tax assets
The Company reviews the net carrying amount of deferred tax assets 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, 2020 and 2019, the Company’s unrecognized deferred tax assets are disclosed in Note 18.

5. Cash

This account consists of:

		2020		2019
Cash in banks	**P**	**1,570,318**	P	4,386,093
Petty cash		**43,223**		25,000
Cash on hand		**11,195**		519
	P	**1,624,736**	P	4,411,612

Cash in banks consists of savings deposit accounts, with annual interest rates ranging from 0.25% to 1.00% in 2020 and 2019. The Company earned interest income amounting to P3,731 and P2,491 in 2020 and 2019, respectively.

6. Trade and Other Receivables

This account consists of:

		2020		2019
Trade receivables	**P**	**1,957,650**	P	1,561,247
Due from affiliates		**101,956**		993,198
Due from Parent Company		**-**		417,799
	P	**2,061,791**	P	2,972,244

Trade receivables pertain to transactions that arise from ordinary course of business and are non-interest bearing and generally collectible on 30-day period.

In 2019, the Due from Parent Company and 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.

In 2020, the 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.

7. Inventories

This account consists of:

		2020		2019
Inventories	**P**	**4,050,919**	P	6,462,913
Less: allowance for inventory losses		**(103,754)**		(103,754)
	P	**3,947,165**	P	6,359,159

Inventories pertain to turmeric, woven fabrics, woodcrafts, leather works, ethnic accessories and groceries intended for sale.

The Company has written off inventory amounting to P42,840 and P523,902 as the management determined that these are no longer saleable in 2020 and 2019, respectively.

The movements in the allowance for inventory losses follow:

		2020		2019
Beginning balance	**P**	**103,754**	P	103,754
Provisions for inventory losses		**42,840**		523,902
Write-offs		**(42,840)**		(523,902)
Ending balance	**P**	**103,754**	P	103,754

8. Other Assets

This account consists of:

		2020		2019
Current:				
Excess tax credits	**P**	**431,895**	P	330,763
Prepaid expenses - current portion		**144,586**		146,615
		576,481		477,378
Noncurrent:				
Prepaid expenses - noncurrent portion		**71,006**		151,361
		71,006		151,361
	P	**647,487**	P	628,739

Excess tax credits includes payment of excess of MCIT over RCIT and excess creditable withholding taxes that could be claimed as tax credits on tax returns after this reporting period.

Prepaid expenses consist of unexpired insurance premiums, security deposit on equipment and advance rental for the lease of office and outlet spaces.

9. Property and Equipment - Net

The details of property and equipment as of December 31, 2020 are as follows:

		Transportation Vehicle		Computer and Printing Equipment		Furniture, Fixtures, and Other Equipment		Total
Cost:								
Balance at beginning of year	P	686,460	P	559,867	P	337,018	P	1,583,345
Additions		-		137,491		124,001		261,492
Transfers		-		(26,777)		26,777		-
Balance at end of year		686,460		670,581		487,796		1,844,837
Accumulated Depreciation								
Balance at beginning of year		514,845		437,532		288,314		1,240,691
Depreciation		171,515		62,154		37,468		271,137
Balance at end of year		686,360		499,686		325,782		1,511,828
Net Carrying Value	**P**	**100**	**P**	**170,895**	**P**	**162,014**	**P**	**333,009**

The details of property and equipment as of December 31, 2019 are as follows:

		Transportation Vehicle		Computer and Printing Equipment		Furniture, Fixtures, and Other Equipment		Total
Cost:								
Balance at beginning of year	P	686,460	P	11,760	P	700,090	P	1,398,310
Additions		-		88,303		96,732		185,035
Transfers		-		459,804		(459,804)		-
Balance at end of year		686,460		559,867		337,018		1,583,345
Accumulated Depreciation								
Balance at beginning of year		286,025		11,759		641,399		939,183
Depreciation		228,820		19,623		53,065		301,508
Transfers		-		406,150		(406,150)		-
Balance at end of year		514,845		437,532		288,314		1,240,691
Net Carrying Value	P	171,615	P	122,335	P	48,704	P	342,654

10. Trade and Other Payables

This account consists of:

		2020		2019
Due to affiliates	**P**	**4,775,077**	P	449,248
Accrued expenses		**1,009,795**		498,173
Accounts payable		**560,525**		895,318
VAT payable		**70,354**		581,255
Withholding taxes payable		**55,272**		48,999
Due to Parent Company		**-**		5,262,354
	P	**6,471,023**	P	7,735,347

Accrued expenses consist of unpaid employee benefits, professional fees, interest payable, 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.

11. Loan Payables

This account consists of:

		2020		2019
Face value				
Balance at beginning of year	**P**	**3,543,393**	P	2,053,120
Availment		**-**		4,500,000
Principal payments		**(2,111,438)**		(3,009,727)
Balance at end of year		**1,431,955**		3,543,393
Net discount				
Balance at beginning of year		**424,945**		166,886
Availment		**-**		660,000
Principal payments		**(353,562)**		(401,941)
Balance at end of year		**71,383**		424,945
Net carrying value		**1,360,572**		3,118,448
Add: Interest		**71,383**		424,945
Balance at end of year	**P**	**1,431,955**	P	3,543,393
Less: Current portion		**(1,431,955)**		(3,206,376)
Noncurrent portion	**P**	**-**	P	337,017

12. 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 of December 31, 2020.

The principal assumptions used in determining pension for the defined benefit plans of the Company as of December 31, 2020 and 2019 are shown below:

	2020	2019
Discount rate	**4.00%**	5.54%
Salary increase rate	**3.00%**	5.00%

In addition to the Company's defined benefit retirement plan, the Company also operates defined contribution plan referred to as "Hybrid Plan" which provides a retirement benefit equal to 100% of the member's employer accumulated value (the Company's contributions of 8% plan salary to Fund A plus credited earnings) and 100.0% of the member's employee accumulated value (member's own contributions up to 10% of plan salary to Fund B plus credited earnings), if any, provided that in no case shall 100% of the employee accumulated value in Fund A be less than 100% of plan salary for every year of credited service.

The amounts recognized in the statement of financial position follows:

		2020		2019
Fair value of plan assets	**P**	**1,591,022**	P	1,689,618
Present value of defined benefit obligation		**(839,402)**		(334,930)
Effect of asset ceiling		**(112,485)**		(513,735)
Net defined benefit asset	**P**	**639,135**	P	840,953

The retirement benefit expense recognized in the statement of income follows:

		2020		2019
Current service cost	**P**	**58,429**	P	76,359
Interest - net		**(41,801)**		(28,305)
Remeasurement (gain) loss on retirement plan		**185,190**		(521,405)
	P	**201,818**	P	(473,351)

The movements in the net retirement asset follows:

		2020		2019
Balance at the beginning of the year	**P**	**840,953**	P	367,602
Retirement expense		**(16,628)**		(48,054)
Remeasurement gain (loss) on retirement plan		**(185,190)**		521,405
Contributions paid		**-**		-
Balance at the end of the year	**P**	**639,135**	P	840,953

The movements in the present value of pension obligation follows:

		2020		2019
Balance at the beginning of the year	**P**	**334,930**	P	1,145,546
Current service cost		**58,429**		76,359
Interest cost		**18,555**		88,207
Transfer from plan assets		**(172,858)**		-
Actuarial changes arising from changes in demographic assumptions		**(6,909)**		(959)
Actuarial changes arising from changes in financial assumptions		**(57,278)**		91,387
Actuarial changes arising from experience		**664,533**		(1,065,610)
Balance at the end of the year	**P**	**839,402**	P	334,930

The movements in the fair value of plan assets follows:

		2020		2019
Balance at the beginning of the year	**P**	**1,689,618**	P	1,614,979
Interest income		**88,817**		124,353
Transfer from plan assets		**(172,858)**		-
Contributions		**-**		-
Return on plan assets, net of interest		**(14,555)**		(49,714)
Balance at the end of the year	**P**	**1,591,022**	P	1,689,618

The changes in remeasurement loss on retirement plan follows:

		2020		2019
Return on plan assets, net of interest	**P**	**14,555**	P	49,714
Actuarial changes arising from changes in financial assumptions		**(57,278)**		91,387
Actuarial changes arising from changes in demographic assumptions		**(6,909)**		(959)
Experience adjustments		**664,533**		(1,065,610)
Effect of asset ceiling		**(429,711)**		404,063
Total	**P**	**185,190**	P	(521,405)

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 follows:

	2020	2019
Cash and cash equivalents	**46.28%**	81.48%
Government securities	**41.05%**	3.59%
Loans	**1.53%**	11.56%
Mutual funds	**0.49%**	0.57%
Real estate	**8.36%**	0.00%
Other assets	**2.29%**	2.80%
	100%	100%

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

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 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:

	2020				2019			
	Increase of 1.0%		**Decrease of 1.0%**		Increase of 1.0%		Decrease of 1.0%	
Discount rate	**P**	**128,505**	**P**	**(105,758)**	P	59,303	P	(47,542)
Future salary increase		**128,505**		**(107,638)**		59,018		(48,173)

The average duration of the defined benefit obligation at the end of each reporting period is 14 years and 16 years in 2020 and 2019, respectively.

Shown below is the 10-year maturity analysis of the undiscounted benefit payments of the Company:

		2020		2019
Less than 1 year	**P**	**39,696**	P	14,866
More than 1 year to 5 years		**194,041**		85,519
More than 5 years to 10 years		**368,518**		155,796
	P	**602,255**	P	4,799,897

13. Capital Stock

The Company's capital stock as of December 31, 2020 and 2019 consists of:

	2020			2019		
	Shares		**Amount**	Shares		Amount
Common stock - P100 par value, 50,000 authorized shares						
Issued and outstanding						
Balance at the beginning of the year	**26,178**	**P**	**2,617,800**	26,178	P	2,617,800
Additional issuance of stocks	**1,830**		**182,950**	-		-
Balance at the end of the year	**28,008**	**P**	**2,800,750**	26,178	P	2,617,800

Capital Management

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

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

14. Revenues

This account consists of:

		2020		2019
Sales	**P**	**15,130,126**	P	28,027,308
Service fee		**2,893,196**		1,948,870
	P	**18,023,322**	P	29,976,178

15. Cost of Services and Cost of Goods Sold

a. Cost of Services

As of December 31, 2020 and 2019, the Cost of Sales amounted to P1,105,293 and P0 (nil), respectively.

b. Cost of Goods Sold

This account consists of:

		2020		2019
Inventories at beginning of period	**P**	**6,462,913**	P	5,150,079
Purchases during the period		**9,276,463**		21,558,468
Inventories available for sale		**15,739,376**		26,708,547
Inventories at end of period		**4,050,919**		6,462,913
	P	**11,688,457**	P	20,245,634

16. Administrative Expenses

Details of administrative expenses are as follows:

		2020		2019
Compensation and employee benefits	**P**	**2,549,907**	P	2,042,814
Transportation and travel		**723,208**		572,662
Rent		**525,307**		791,674
Miscellaneous		**506,688**		462,321
Supplies and materials		**455,851**		1,002,746
Interest expense		**370,008**		481,183
Information technology		**365,735**		192,287
Program monitoring and evaluation		**331,088**		77,927
Outsourced services		**399,521**		1,309,837
Depreciation		**271,137**		301,508
Seminars and meetings		**269,315**		302,127
Utilities		**225,717**		270,872
Repairs and maintenance		**218,084**		294,762
Management and professional fees		**209,444**		232,389
Advertising and publicity		**186,273**		434,916
Communications and postage		**142,836**		89,632
Insurance		**120,388**		64,461
Staff training and development		**109,103**		199,946
Taxes and licenses		**54,572**		151,025
Product development		**20,853**		-
Supervision and examination		**3,201**		99,134
Loss on inventory		**-**		523,902
	P	**8,058,236**	P	9,898,125

The composition of the compensation and employee benefits above are shown below:

		2020		2019
Salaries and wages	**P**	**1,744,626**	P	1,102,397
Short-term employee benefits and other contributions		**788,653**		892,363
Retirement benefits		**16,628**		48,054
	P	**2,549,907**	P	2,042,814

17. Other Income (Charges) - Net

This account consists of:

		2020		2019
Actuarial gain (loss) on retirement plan	**P**	**(185,190)**	P	521,405
Interest income from bank deposits		**3,731**		2,491
Others		**6,362**		91,979
	P	**(175,097)**	P	615,875

18. Income Taxes

a. Applicable Rate

The Company is subject to Regular Corporate Income Tax (RCIT) rate of 30%. The Company is subject to minimum corporate income tax (MCIT), which is computed at 2% of gross income.

b. Optional Standard Deduction

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

c. Tax Computation

Regular Corporate Income Tax (RCIT)		**2020**		2019
Revenue	**P**	**18,023,322**	P	29,976,178
Less: Cost of Services and Cost of Goods Sold		**(12,793,750)**		(20,245,634)
Gross Income from Operation		**5,229,572**		9,730,544
Add: Other income		**6,362**		91,979
Total Gross Income		**5,235,934**		9,822,523
Less: Itemized deduction		**(7,980,377)**		(9,591,298)
Net Operating Loss Carry-over (NOLCO)		**-**		-
Taxable income (loss)	**P**	**(2,744,443)**	P	231,225
Income tax expense (benefit) - at 30%	**P**	**(823,333)**	P	69,368
MCIT - at 2%		**104,719**		196,450
Total income tax due		**104,719**		196,450
Income taxes paid and tax credits:				
Prior year's excess tax credit		**(330,763)**		(215,350)
Tax payment 1st to 3rd QTR		**(11,372)**		-
Creditable taxes withheld 1st to 3rd QTR		**(89,952)**		(169,396)
Creditable taxes withheld 4th QTR		**(104,527)**		(142,467)
Income tax payable (overpayment)	**P**	**(431,895)**	P	(330,763)

d. Reconciliation between accounting income (loss) and taxable income (loss) is presented below:

		2020		2019
Accounting income (loss)	**P**	**(3,003,761)**	P	448,294
Reconciling items:				
Interest income subject to final tax		**(3,731)**		(2,491)
Actuarial loss (gain) on retirement plan		**185,190**		(521,405)
Penalties and surcharges		**60,000**		235,824
Interest expense		**1,231**		822
Retirement expense, net of contributions		**16,628**		48,054
Accrued vacation leave		**-**		22,127
Taxable income (loss)	**P**	**(2,744,443)**	P	231,225

e. Provision for income tax consists of:

		2020		2019
Current:				
MCIT	**P**	**104,719**	P	196,450
Final tax		**746**		498
	P	**105,465**	P	196,948

f. The Company did not recognize deferred tax assets (liabilities) on the following differences:

		2020		2019
Retirement asset	**P**	**(639,135)**	P	(840,953)
Allowance for inventory losses		**103,754**		103,754
Excess MCIT over RCIT		**292,423**		187,704
Net Operating Loss Carry-over (NOLCO)		**(2,744,443)**		-

g. Details of excess of MCIT over RCIT follow:

Year incurred		Amount		Applied		Balance	Expiry year
2020	P	104,719	P	-	P	104,719	2023
2019		127,082		-		127,082	2022
2018		60,622		-		60,622	2021
Total	P	292,423	P	-	P	292,423	

h. Computation of Available Net Operating Loss Carry Over (NOLCO)

Year Incurred		**Amount**		**Applied Previous Year**		**Expired**		**Applied Current Year**		**Unapplied**
2020	P	2,744,443	P	-	P	-	P	-	P	2,744,443

Net Operating Loss Carry-over - The net operating loss of the Company for any taxable year immediately preceding the current taxable year, which had not been previously offset as deduction from gross income shall be carried over as a deduction from gross income for the next three (3) consecutive taxable years immediately following the year of such loss.

Subsequent Event

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

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

The effect of the changes mentioned above are presented below:

	As of December 31, 2020	Effect of changes in tax rates	Adjusted amount based on the reduced tax rates
Statement of Comprehensive Income			
Current tax expense	105,465	(26,180)	79,285
Net loss for the year	3,109,226	(26,180)	3,083,046
Statement of Financial Position			
Prepaid income tax	431,895	26,180	458,075
Statement of Changes in Equity			
Deficit	1,450,405	(26,180)	1,424,225
Others			
Net operating loss carry over	(2,744,443)	(242)	(2,744,685)
Excess MCIT over RCIT	104,719	(26,180)	78,539

19. Related Party Transactions

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (1) individual owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Company; (2) associates; and (3) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

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.

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.

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

		2020	
Category	**Amount / Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Parent Company			
Accounts receivable		**417,799**	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	**962,404**		
Collections	**1,492,666**		
Accounts payable		**5,262,354**	This pertains to the unpaid inventories and shared expenses shouldered by the Parent Company.
Billings	**4,105,319**		
Payments	**2,450,549**		
Affiliates			
Cash in banks		**1,475,810**	This pertains to checking and savings account with annual interest of 0.25%.
Deposits	**21,727,620**		
Withdrawals	**20,846,490**		
Accounts receivable		**993,198**	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	**29,329,420**		
Collections	**28,934,642**		
Other income	**2,040,658**		This pertains to service fee for facilitation of food during meetings and for purchase of giveaways.
Accounts payable		**449,248**	This pertains to unpaid inventories purchased by other CARD-MRI entities and loans from CLFC.
Billings	**2,048,881**		
Payments	**1,640,012**		
Loans payable		**3,543,393**	This pertains to loan agreements with CLFC.
Availments	**4,500,000**		
Payments	**3,009,727**		
Interest expense	**401,941**		This pertains to 2% interest on financing loans.

	2019		
Category	Amount / Volume	Outstanding Balance	Nature, Terms and Conditions
Parent Company			
Accounts receivable		417,799	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	962,404		
Collections	1,492,666		
Accounts payable		5,262,354	This pertains to the unpaid inventories and shared expenses shouldered by the Parent Company.
Billings	4,105,319		
Payments	2,450,549		
Affiliates			
Cash in banks		1,475,810	This pertains to checking and savings account with annual interest of 0.25%.
Deposits	21,727,620		
Withdrawals	20,846,490		
Accounts receivable		993,198	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	29,329,420		
Collections	28,934,642		
Other income	2,040,658		This pertains to service fee for facilitation of food during meetings and for purchase
Accounts payable		449,248	This pertains to unpaid inventories purchased by other CARD-MRI entities and loans from CLFC.
Billings	2,048,881		
Payments	1,640,012		
Loans payable		3,543,393	This pertains to loan agreements with CLFC.
Availments	4,500,000		
Payments	3,009,727		
Interest expense	401,941		This pertains to 2% interest on financing loans.

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.

The total compensation for key management personnel amounted to P1,326,192 and P565,580 in 2020 and 2019, respectively.

20. Leases

As a Lessee

The Company leases offices and outlets. The lease contracts are for one to three years and are renewable upon mutual agreement between the Company and the lessors.

The future aggregate minimum lease payments under operating leases are as follows:

		2020		2019
Not later than one year	**P**	**109,252**	P	610,657
Later than one year and not later than five years		**-**		109,252
	P	**109,252**	P	719,909

The total rent expenses recognized in 2020 and 2019 are disclosed in Note 16. The total security deposit related to these operating leases amounted to P225,341 in 2020 and 2019.

21. Approval of the Release of the Financial Statements

The accompanying financial statements were reviewed and approved for release by the Company's Board of Directors on March 25, 2021.

22. Supplementary Information Required by the Bureau of Internal Revenue

I. Revenue Regulations (RR) No. 15-2010

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

a. Withholding Taxes

The amount of withholding taxes paid/accrued for the year ended December 31, 2020:

		Paid		Payable
Tax on compensation and benefits	**P**	**11,632**	**P**	**-**
Expanded withholding taxes		**188,650**		**55,272**
	P	**200,282**	**P**	**55,272**

b. Other Taxes Paid

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

Business permit	**P**	**26,469**
Motor vehicle registration		**11,783**
Real property tax		**7,854**
FDA license		**5,050**
IPO registration of new Logo of the Company		**2,415**
Annual registration fee		**1,000**
	P	**54,572**

c. Value-Added Tax (VAT)

The work forward analysis of the Company's output and input VAT for its sales and purchases is as follows:

Output VAT				
Vatable sales/receipts	P	15,904,711	**P**	**1,908,565**
Exempt sales/receipts		2,117,654		**-**
Total Output VAT		18,022,364		**1,908,565**
Input VAT				
Balance at beginning of the year				**-**
Add: Purchases or payments for:				
Goods (Domestic)	P	4,621,819		**554,618**
Services (Domestic)		-		**-**
Total Input VAT		4,621,819		**554,618**
Total VAT Remitted/Accrued			**P**	**1,353,947**

d. Tax Assessments and Cases

As of December 31, 2020, the Company does not have any pending tax assessment and/or tax cases with the BIR and other government bodies.

II. Revenue Regulation No. 34-2020

On December 21, 2020, the Bureau of Internal Revenue issued RR No. 34-2020 which prescribes the guidelines and procedures for the submission of BIR Form 1709, Transfer Pricing Documentation (TPD) and other Supporting Documents. Under the said RR, companies are required to disclose if they are not covered by Section 2 of the RR which provides the taxpayers required to file and submit Form 1709 Information Return on Related Party Transactions, together with the Annual Income Tax Return. The supplementary information below is presented for purposes of filing with the Bureau of Internal Revenue and is not required by the PFRS for SEs.

The Company is not covered by the requirements and procedures for related party transactions provided under Section 2 of RR 34-2020.