

CARD MRI PROPERTY MANAGEMENT, INC.

Financial Statements

December 31, 2022 and 2021

And

Independent Auditor's Report

ENDRIGA, MANANGU & ASSOCIATES
Certified Public Accountants

CARD MRI PROPERTY MANAGEMENT, INC.**STATEMENTS OF FINANCIAL POSITION**

		As of December 31	
	Notes	2022	2021
ASSETS			
CURRENT ASSETS			
Cash and other cash items	2, 3, 4	₱ 30,319,900	25,548,177
Loan and other receivables	2, 3, 5	269,566	786,978
Equity instruments at FVOCI	2, 3, 6	10,020,764	10,020,764
Other current assets	2, 3, 7	15,187,120	14,153,119
Total Current Assets		55,797,350	50,509,038
NONCURRENT ASSETS			
Investment properties - net	2, 3, 8	366,882,785	366,655,296
Investment in an associate	2, 3, 9	869,650	-
Property and equipment - net	2, 3, 10	120,495	780,089
Right-of-use assets - net	2, 3, 11	5,254,490	5,468,790
Retirement benefit asset	2, 3, 23	397,725	-
Other noncurrent asset	2, 3, 12	1,444,921	2,852,784
Total Noncurrent Assets		374,970,066	375,756,959
TOTAL ASSETS		₱ 430,767,416	₱ 426,265,997
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Current liabilities	2, 3, 13	₱ 8,464,593	8,327,434
Loans payable - current portion	2, 3, 15	7,949,667	16,385,781
Lease liabilities - current portion	2, 3, 14	3,362,810	3,045,711
Total Current Liabilities		19,777,070	27,758,926
NONCURRENT LIABILITIES			
Loans payable - net of current portion	2, 3, 15	1,491,564	9,441,231
Lease liabilities - net of current portion	2, 3, 14	2,247,123	3,051,206
Retirement benefit obligation	2, 3, 23	-	282,591
Other liabilities	2, 3, 16	3,776,690	3,711,592
Total Noncurrent Liabilities		7,515,377	16,486,620
EQUITY			
Capital stock	2, 17	393,435,800	376,869,300
Retained earnings	2	7,973,082	4,178,429
Retirement plan actuarial gain - net	2, 3, 23	1,023,386	258,146
Share in OCI from associate	2, 3, 9	328,125	-
Net unrealized gain on equity instruments at FVOCI	2, 6	714,576	714,576
Total Equity		403,474,969	382,020,451
TOTAL LIABILITIES AND EQUITY		₱ 430,767,416	₱ 426,265,997

See accompanying Notes to Financial Statements.



CARD MRI PROPERTY MANAGEMENT, INC.
STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31				
	Notes	2022	2021	
REVENUES	18	P 34,964,930	P 30,213,146	
COST OF SERVICES	19	(19,131,455)	(20,016,989)	
GROSS INCOME		15,833,475	10,196,157	
OPERATING EXPENSES	19	(6,579,344)	(6,986,503)	
OTHER INCOME	20	445,548	309,689	
INCOME BEFORE INCOME TAX		9,699,679	3,519,343	
SHARE IN NET INCOME OF AN ASSOCIATE	9	338,525	-	
PROVISION FOR TAX	21	2,394,228	919,543	
NET INCOME AFTER INCOME TAX		7,643,976	2,599,800	
OTHER COMPREHENSIVE INCOME				
<i>Items that will not be reclassified to profit or loss</i>				
Net change in fair value of Equity instruments at FVOCI	6	-	1,284,195	
Share in OCI of an associate	9	328,125	-	
Retirement plan actuarial gain - net	23	765,240	3,235,804	
TOTAL COMPREHENSIVE INCOME		P 8,737,341	P 7,119,799	

See accompanying Notes to Financial Statements.



CARD MRI PROPERTY MANAGEMENT, INC.**STATEMENTS OF CHANGES IN EQUITY**

	Capital Stock (Note 17)	Retained Earnings	Retirement plan actuarial gain - net	Net Unrealized Gain on Equity instruments at FVOCI	Share in OCI from Associate	Total
Balance at January 1, 2022	₱ 376,869,300	₱ 4,178,429	₱ 258,146	₱ 714,576	₱ -	₱ 382,020,451
Issuance of stocks	8,063,100	-	-	-	-	8,063,100
Stock dividends	3,848,700	(3,848,700)	-	-	-	-
Collection of subscription receivable	4,654,700	-	-	-	-	4,654,700
Cash dividends	-	(623)	-	-	-	(623)
Total comprehensive income	-	7,643,976	765,240	-	328,125	8,737,341
Balance at December 31, 2022	₱ 393,435,800	₱ 7,973,082	₱ 1,023,386	₱ 714,576	₱ 328,125	₱ 403,474,969
Balance at January 1, 2021	₱ 348,537,900	₱ 1,578,629	₱ (2,977,658)	₱ (569,619)	₱ -	₱ 346,569,252
Issuance of stocks	28,331,400	-	-	-	-	28,331,400
Total comprehensive income	-	2,599,800	3,235,804	1,284,195	-	7,119,799
Balance at December 31, 2021	₱ 376,869,300	₱ 4,178,429	₱ 258,146	₱ 714,576	₱ -	₱ 382,020,451

See accompanying Notes to Financial Statements.

CARD MRI PROPERTY MANAGEMENT, INC.
STATEMENTS OF CASH FLOWS

For the Years Ended December 31				
	Notes	2022	2021	
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income before income tax		₱ 9,699,679	₱ 3,519,343	
Adjustments for:				
Depreciation expense	8, 10, 11, 19	13,048,873	14,834,457	
Interest income	4, 20	(445,548)	(309,689)	
Interest expense	19	1,077,926	2,523,999	
Interest expense from right-of-use assets	19	598,892	570,135	
Retirement expense, net of contributions	19, 23	84,924	149,947	
Amortization of transaction costs on loans payable	15	114,219	151,098	
Cash from operations before working capital changes		24,178,965	21,439,290	
Changes in operating assets and liabilities				
Decrease (increase) in:				
Equity instruments at FVOCI	6	-	(1,284,195)	
Loan and other receivables	5	517,412	1,539,661	
Other current assets	7	(1,889,170)	15,667,335	
Increase (decrease) in:				
Current liabilities	13	137,159	629,948	
Other liabilities	13	65,098	112,654	
Net cash provided by operations		23,009,464	38,104,693	
Interest received	4, 20	445,548	309,689	
Interest paid	19	(1,676,818)	(3,094,134)	
Income tax paid	21	(1,539,059)	(1,406,525)	
Net cash provided by operating activities		20,239,135	33,913,723	
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of investment properties	8	(9,910,728)	(19,586,602)	
Acquisitions of property and equipment	10	(94,910)	-	
Acquisition of investment in an associate	9	(203,000)	-	
Increase in right-of-use assets	11	(2,396,830)	-	
Decrease in other noncurrent assets	12	1,407,863	1,423,488	
Net cash used in investing activities		(11,197,605)	(18,163,114)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Issuance of capital stock	17	8,063,100	28,331,400	
Collection of subscription receivable	17	4,654,700	-	
Additional lease liability	14	2,636,390	-	
Settlement of loans payable	15	(16,500,000)	(22,333,333)	
Settlement of lease liabilities	14	(3,123,374)	(2,559,533)	
Cash dividend	17	(623)	-	
Net cash provided by (used in) financing activities		(4,269,807)	3,438,534	
NET INCREASE IN CASH		4,771,723	19,189,143	
CASH AT THE BEGINNING OF THE YEAR	4	25,548,177	6,359,034	
CASH AT THE END OF THE YEAR	4	₱ 30,319,900	₱ 25,548,177	

See accompanying Notes to Financial Statements.

CARD MRI PROPERTY MANAGEMENT, INC.**NOTES TO FINANCIAL STATEMENTS**

As of and For the Years Ended December 31, 2022 and 2021

1. Corporate Information

CARD MRI Property Management, Inc. (formerly: CARD MRI Property Holdings, Inc.) (the Company) was incorporated and duly registered with the Securities and Exchange Commission (SEC) on November 10, 2016. The Company's primary purposes are to deal and engage in land or real estate business in all its branches and ramifications, to hold, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent, or otherwise deal in and dispose of, for itself or others, for profit and advantage, including hotels, inns or resorts, all adjuncts and accessories thereto, housing projects, commercial and industrial, urban or other kinds of real property, improved or unimproved, with or to such persons and entities and under such conditions as may be permitted by law and any other businesses as may be necessary and desirable in connection therewith.

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

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

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

2.1 Basis for Preparation

The financial statements of the Company have been prepared on a historical cost basis. The financial statements are presented in Philippine pesos, which is the Company's functional and presentation currency. All amounts are rounded to the nearest peso unless otherwise stated.

2.2 Statement of Compliance

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

2.3 Presentation of Financial Statements

Financial assets and financial liabilities are offset and the net amount is 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, the event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.



2.4 Significant Accounting Policies

The principal accounting policies applied in the preparation of the financial statements are set out below.

Financial Instruments

The Company recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

i. Recognition, Subsequent Measurement and Derecognition

Initial Recognition - All financial instruments are initially measured at fair value, except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial instruments includes transaction costs.

Financial Assets:

After initial recognition, the Company shall measure its financial assets at their fair values, without any deduction for transaction costs it may incur on sale or other disposal, except for receivables, which shall be measured at amortized cost using the effective interest method.

The Company shall derecognize a financial asset when, and only when:

- a. the contractual rights to the cash flows from the financial asset expire; or
- b. it transfers the financial asset under terms that qualify it for derecognition.

Financial Liabilities:

After initial recognition, the Company shall measure its financial liabilities at amortized cost, unless fair value option is applied.

The Company shall remove a financial liability (or part of it) from the statement of financial position when, and only when, it is extinguished (that is when the obligation specified in the contract is discharged or canceled or expires).

The difference between the carrying amount of a financial liability (or part of it) extinguished or transferred to another party and the consideration paid shall be recognized in profit and loss.

ii. Classification as Financial Liabilities or Equity Instruments

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements.

Financial Liabilities

Financial liabilities are contractual obligations to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or a contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction from the proceeds, net of tax.

iii. Fair Value Measurement and Valuation Techniques

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

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

The fair value of an asset or a liability is measured using the assumption that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations, without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances.

Valuation techniques include the market approach (i.e., using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available supportable market data as possible). The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest-level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Company's management determines the policies and procedures for both recurring fair value measurement and non-recurring measurement. At each reporting date, the management analyzes the movements in the values of assets and liabilities which are required to be remeasured or reassessed based on the Company's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing on the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Company determines classes of assets and liabilities based on the nature, characteristics, and risks of the asset or liability and the level of the fair value hierarchy as explained above.

iv. Amortized Cost

The amortized cost of a financial instrument at each reporting date is the net of the following amounts:

- a. the amount at which the financial instrument is measured at initial recognition;
- b. minus any repayments of the principal;
- c. plus or minus the cumulative amortization using the effective interest method of any difference between the amount at initial recognition and the maturity amount;
- d. minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

v. Effective Interest Method

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

vi. Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is 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 bankrupt of the Company and all of the counterparties.

vii. Policies applicable beginning January 1, 2019

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

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

For trade receivables, the Company applies a simplified approach calculating ECLs. Therefore, the Company does not track changes in credit risk but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

viii. Impairment of Financial Assets

At the end of each reporting period, the Company assesses whether there is objective evidence of impairment of any financial assets. If there is objective evidence of impairment, the Company recognizes an impairment loss in profit or loss immediately.

The Company assesses impairment either individually or grouped based on similar credit risk characteristics.

Objective evidence of impairment could include:

- a. significant financial difficulty of the issuer or obligor;
- b. a breach of contract, such as a default or delinquency in interest or principal payments;
- c. the creditor, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the creditor would not otherwise consider.
- d. it has become probable that the debtor will enter bankruptcy or other financial reorganization; and
- e. observable data indicating that there has been a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, even though the decrease cannot yet be identified with the individual financial assets in the group, such as adverse national or local economic conditions or adverse changes in industry conditions.

Other factors may also be evidence of impairment, including significant changes with an adverse effect that have taken place in the technological, market, economic, or legal environment in which the issuer operates.

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 effective interest rate. If such a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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

Investment in an Associate

Investment in an associate is accounted for under the equity method of accounting. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in an associate is carried in the statement of financial position at cost plus post-acquisition changes in the Company's share in the net assets of the investee. The statement of comprehensive income reflects the Company's share of the results of the operations of the investee. Unrealized gains arising from intercompany transactions are eliminated to the extent of the Company's interest therein. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction in the carrying value of the investment.

Investment Properties

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period

in which they arise.

The initial cost of investment properties consists of its purchase price, including non-refundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after items of Investment properties have been put into operation, such as repairs and maintenance are normally charged against 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 investment properties beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of Investment properties.

Depreciation is computed using the straight-line method over the estimated useful lives (EUL) of the respective assets. Leasehold improvements are amortized over the lease term and the shorter of the terms of the covering leases and EUL of the improvements.

The range of the EULs of the Investment properties follows:

Building and improvements	15 years
Leasehold improvements	3 years

The depreciation method and the EULs are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of Investment properties.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is credited against profit or loss.

An item of Investment properties is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income under 'Miscellaneous income' in the period the asset is derecognized.

The carrying values of the Investment properties are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, an impairment loss is recognized under 'Provision for credit and impairment losses' in the statement of comprehensive income.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenses incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to operations in the period when the costs are incurred. In situation 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 property and equipment.

Depreciation is computed using the straight-line method over the following estimated useful lives of property and equipment. The estimated useful lives for property and equipment is 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 items of property and equipment.

When assets are sold and retired, their cost and accumulated depreciation are derecognized from the accounts, and any gain or loss resulting from their disposal is charged or credited to operations.

2.4.4 Other Assets

Other assets represent miscellaneous assets, prepaid taxes, supplies on hand, and input VAT. Miscellaneous assets consist of earnest money used to purchase properties and deposits for rented assets. These are measured at the amount of cash paid. Subsequently, the earnest money is included as part of the cost of the asset upon recognition and cash deposits are returned after deducting any charges by the lessor.

2.4.5 Capital Stock

Capital stock represents ordinary shares that are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Any costs of acquiring the Company's own shares, if any, are shown as a deduction from equity attributable to the Company's equity holders until the shares are canceled or reissued. When such shares are subsequently sold or reissued, any consideration received, net of directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.4.6 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 this 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.

2.4.7 Revenue Recognition

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

i. Interest income

Interest income from cash in banks and loans is recognized as interest accrues, taking into account the effective yield of the asset.

ii. Rental income

Receipts from the rental of Investment properties are recognized as Rental income.

iii. Commission income

Commission income consists of payments from construction facilitation, property management, and asset maintenance, and are recognized only upon collection or accrued when there is a reasonable degree of certainty as to their collectability.

2.4.8 Expense Recognition

Expense is recognized in the statement of comprehensive income when it is probable that a decrease in future economic benefits related to a decrease in an asset or an increase in liability has occurred and the decrease in economic benefits can be measured reliably. Expenses are recognized as incurred or when the related revenue is earned.

2.4.9 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company as lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

The Company as lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Unearned rents are recognized as revenue in the period in which they are earned.

2.4.10 Income Taxes

i. Current Tax

Current tax assets and liabilities 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.

ii. Deferred Tax

Deferred income 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 taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry forward the benefit of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carry forward benefits of MCIT and NOLCO could be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period 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.

2.4.11 Foreign Currency-denominated Transactions and Translation

Transactions in foreign currencies are translated at exchange rates at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange at the reporting date. Gains or losses arising from exchange rate changes are dealt with in profit or loss.

2.4.12 Provision and Contingencies

Provisions are recognized when the Company has present legal or constructive obligations as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to financial statements 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 in the notes to financial statements when the inflow of economic benefits is probable.

2.4.13 Employee Benefits

i. Short-term Benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Company to its employees include compensation, social security contributions, short-term compensated absences, bonuses, and other non-monetary benefits.

ii. Long-term Benefits

Defined benefit plan

The Company operates a defined benefit retirement plan and a hybrid retirement plan which require contributions 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 and adjusted for any effect of limiting a net defined benefit asset to the asset ceiling (if any). 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:

- (a) Service Cost;
- (b) Net interest on the net defined benefit liability or asset; and
- (c) 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 expenses in the statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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 the statement of financial position with a corresponding debit or credit to 'Retirement plan actuarial gain (loss) - net' under the statement of comprehensive income in this period in which they arise.

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. The 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.

Employee leave entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before 12 months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

2.4.14 Related Parties

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) individuals 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 key management personnel of the Company and post-employment benefit plans for the benefit of the Company's employees are also considered to be related parties.

2.4.15 Events after the Reporting Period

The Company identifies subsequent events as events that occurred after the reporting period but before the date when the financial statements were authorized for issue. Any subsequent events that provide additional information about the Company's financial position and results of operation for the reporting period, referred to as adjusting events, are reflected in the financial statements, while subsequent events that do not require adjustments, referred to as non-adjusting events, are disclosed in the notes to financial statements when material.

2.5 New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new or amended standards and accounting pronouncements in 2022. The Company has not early adopted any other standard, interpretation, or amendment that has been issued but is not yet effective. Adoption of these pronouncements did not have any significant impact on the Company's statements of financial position and statements of comprehensive income unless otherwise indicated:

- **PFRS 17, Insurance Contracts**

PFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. PFRS 17 supersedes PFRS 4 Insurance Contracts as of January 1, 2023. This amendment had no impact on the financial statements of the Company.

- **Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)**

Amends IFRS 4 Insurance Contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
- an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied. This amendment had no impact on the financial statements of the Company.

- **Classification of Liabilities as Current or Non-Current (Amendments to PAS 1)**

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. This amendment had no impact on the financial statements of the Company.

- **Reference to the Conceptual Framework (Amendments to PFRS 3)**
The amendments update an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard. This amendment had no impact on the financial statements of the Company.
- **Property, Plant and Equipment — Proceeds before Intended Use (Amendments to PAS 16)**
The amendments prohibit deducting from the cost of an item of property, plant, and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. This amendment had no impact on the financial statements of the Company.
- **Onerous Contracts — Cost of Fulfilling a Contract (Amendments to PAS 37)**
The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, and materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant, and equipment used in fulfilling the contract). These amendments had no impact on the financial statements of the Company.

Annual Improvements to PFRS Standards 2018–2020

- **PFRS 1** – The amendment permits a subsidiary that applies paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRSs.
- **PFRS 9** – The amendment clarifies which fees an entity includes when it applies the '10 percent' test in paragraph B3.3.6 of PFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- **PFRS 16** – The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- **PAS 41** – The amendment removes the requirement in paragraph 22 of PAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

3. Significant Accounting Estimates and Assumptions

The preparation of financial statements in accordance with PFRS requires management to make estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and disclosure of contingent assets and liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements when reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including the expectation of future events that are beyond to be reasonable under the circumstances.

Judgments

Principal versus agent

An entity is acting as principal if individually or in combination of the scenarios below:

- a) the entity has the primary responsibility for providing the goods or services to the customer or for fulfilling the order;
- b) the entity has inventory risk before or after the customer order, during shipping or on return;
- c) the entity has latitude in establishing prices, either directly or indirectly;
- d) the entity the customer's credit risk on the receivable due from the customer.

In an agency relationship, the gross inflows of economic benefits often include the amounts collected on behalf of the principal and the amounts which do not result in increase in equity for the entity. The amounts collected on behalf of the principal are not revenue; instead revenue is the amount of commission. The Company recognized income from their service operations as commission income (Note 18).

Operating lease commitments as lessor

The Company has entered into commercial property leases on its investment properties. The Company has determined that it retains all significant risks and rewards of ownership of these properties considering the length of the lease term compared to the estimated useful life of the assets. The Company accordingly accounted for these as operating leases including the income recognized in these commitments.

3.1 Estimating deferred tax asset

A deferred tax asset is recognized only to the extent that taxable income will be available against which the deferred tax asset can be used or when there are sufficient taxable temporary differences that are expected to reverse in the same period as the expected reversal of the deductible temporary differences.

As of December 31, 2022 and 2021, the Company cannot reasonably estimate future taxable income for which the available deferred tax asset could be recovered, and therefore, the Company did not set up deferred tax balances. The estimated amounts are deemed by the management as not material to the financial statements (Note 21).

3.2 Estimating present value of retirement liability

The cost of a defined retirement plan and other post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, and mortality rates. 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 at reporting date, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Future salary increases are based on expected future inflation rates for the specific country. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. The present value of the retirement liability and fair value of plan assets are disclosed in Note 23.

4. Cash and Other Cash Items

This account consists of:

		2022		2021
Cash in banks	₱	30,309,900	₱	25,538,177
Cash on hand and other cash items		10,000		10,000
	₱	30,319,900	₱	25,548,177

Cash in banks represents deposits with a local bank and commercial bank which earns an annual interest rate of 0.25% and 1.5% in 2022 and 2021. In 2022, there is a time deposit that amounted to ₱10,061,343 with an interest rate of 4.5% and a term of 35 days.

Other cash items consist of petty cash fund and cheques received and were not deposited in the bank as of reporting date.

Interest income earned by the Company from cash in banks amounted to ₱393,798 and ₱209,779 in 2022 and 2021, respectively.

5. Loan and Other Receivables

This account consists of:

		2022		2021
Accounts receivable	₱	212,275	₱	39,687
Accrued rent receivable		57,291		57,291
Loan receivable		-		690,000
	₱	269,566	₱	786,978

Loan receivable pertains to receivables from Unihealth that earns 6.00% interest yearly. Interest income earned related to the loan amounted to ₱18,857 and ₱69,141 in 2022 and 2021, respectively (Note 20). The loan receivable was fully collected in 2022.

Accounts receivable pertains to receivables from clients. Accrued rent receivable pertains to receivable from lessees.

6. Equity instruments at FVOCI

This account consists of:

		2022		2021
Acquisition cost	₱	10,020,764	₱	8,736,569
Addition		-		-
		10,020,764		8,736,569
Add: Accumulated equity in net earnings		-		1,284,195
	₱	10,020,764	₱	10,020,764

On July 12, 2020, the Company invested ₱8,736,569 in ordinary shares of Rizal College of Laguna, Inc., which represents 2% equity in the college.

The management elected to classify irrevocably its unquoted equity shares under financial assets designated at FVOCI as it intends to hold this investment for the foreseeable future.

The investment did not meet the SPPI contractual cash flow characteristic test to qualify for amortized cost classification. The equity instruments are not held for trading or are not contingent consideration in a business combination.

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

There are no dividends recognized during the period. There is no derecognized investment during the reporting period. There are no transfers of the cumulative gain or loss within equity during the period.

7. Other Current Assets

This account consists of:

	2022	2021
Miscellaneous asset	₱ 11,834,703	₱ 8,941,114
Supplies on hand	2,072,777	2,128,078
Prepaid taxes	978,107	1,833,276
Input VAT	236,394	837,172
Prepaid expenses	65,139	413,479
	₱ 15,187,120	₱ 14,153,119

Miscellaneous assets pertain to initial and advance payments for the properties not yet fully acquired by the Company at the end of the reporting period.

Prepaid expenses consist of advance payments made for fire insurance and real property tax.

8. Investment Properties - Net

2022

Details of Investment Properties at December 31, 2022 follow:

	Land	Building	Land Improvement	Construction in Progress	Leasehold Improvements	Total
Cost						
Beginning balance	₱ 265,624,431	₱ 122,179,427	₱ 4,992,772	₱ -	₱ 889,891	₱ 393,686,521
Additions	4,198,130	2,021,178	-	3,618,205	73,215	9,910,728
Transfers	-	3,618,205	-	(3,618,205)	-	-
Ending balance	269,822,561	127,818,810	4,992,772	-	963,106	403,597,249
Accumulated depreciation						
Beginning balance	-	23,190,995	3,259,448	-	580,783	27,031,226
Additions	-	8,153,996	1,210,254	-	318,988	9,683,238
Ending balance	-	31,344,991	4,469,702	-	899,771	36,714,464
Net book value	₱ 269,822,561	₱ 96,473,819	₱ 523,070	₱ -	₱ 63,335	₱ 366,882,785

2021

Details of Investment Properties at December 31, 2021 follow:

	Land	Building	Land Improvement	Construction in Progress	Leasehold Improvements	Total
Cost						
Beginning balance	₱ 248,401,346	₱ 114,910,856	₱ 4,233,844	₱ 5,663,982	₱ 889,891	₱ 374,099,919
Additions	17,223,085	1,604,589	758,929	-	-	19,586,603
Transfers	-	5,663,982	-	(5,663,982)	-	-
Disposals	-	-	-	-	-	-
Ending balance	265,624,431	122,179,427	4,992,773	-	889,891	393,686,522
Accumulated depreciation						
Beginning balance	-	14,944,176	2,091,573	-	219,941	17,255,690
Additions	-	8,246,819	1,167,875	-	360,842	9,775,536
Ending balance	-	23,190,995	3,259,448	-	580,783	27,031,226
Net book value	₱ 265,624,431	₱ 98,988,432	₱ 1,733,325	₱ -	₱ 309,108	₱ 366,655,296

Total rental income received from Investment properties amounted to ₱25,338,753 and ₱24,463,776 in 2022 and 2021, respectively.

9. Investment in an Associate

In July 2022, the Company invested ₱607,915 in ordinary shares of CARD Masikhay Consultancy Services, Inc. (CMCSI), which represents 29% equity. As of December 31, 2022 and 2021, the investment in an associate is ₱869,650 and ₱0 (nil), respectively.

This account consists of:

	2022	2021
Acquisition cost	₱ -	₱ -
Addition	203,000	-
	203,000	-
Add: Share in net income	338,525	-
Share in other comprehensive income	328,125	-
	₱ 869,650	₱ -

The following tables illustrate the summarized financial information of CMCSI:

	2022
Current assets	₱ 4,173,151
Non-current assets	1,053,464
Current liabilities	(2,179,821)
Net assets	₱ 3,046,793

		2022
Revenues	P	8,814,140
Cost and expenses		7,362,462
		1,451,678
Provision for tax		284,351
Net income		1,167,327
Other comprehensive income		1,131,466
Total comprehensive income	P	2,298,793

10. Property and Equipment - Net

2022

Details of Property and Equipment are as follows:

		2022		2021
Cost				
Beginning balance	P	6,313,233	P	6,313,233
Additions		94,910		-
Ending balance		6,408,143		6,313,233
Accumulated depreciation				
Beginning balance		5,533,143		3,428,732
Additions		754,504		2,104,411
Ending balance		6,287,647		5,533,143
Net book value	P	120,495	P	780,089

The property and equipment account consists of furniture and fixtures purchased by the Company.

11. Right-of-use Assets

Details of Right-of-use Assets are as follows:

		2022		2021
Cost				
Beginning balance	P	13,607,666	P	13,607,666
Additions		2,734,275		-
Disposals		(337,445)		-
Ending balance		16,004,496		13,607,666
Accumulated depreciation				
Beginning balance		8,138,876		5,184,364
Additions		2,611,130		2,954,512
Ending balance		10,750,006		8,138,876
Net book value	P	5,254,490	P	5,468,790

The Company leases buildings. The average lease term is 5 years in 2022 and 2021.

The maturity analysis of lease liabilities is presented in Note 14.

	2022	2021
Amounts recognized in profit and loss		
Depreciation expense on right-of-use assets	₱ 2,611,130	₱ 2,954,512
Interest expense on lease liabilities	328,012	509,253
Expense relating to short-term leases	811,480	709,694

The total cash outflow for leases amounted to ₱3,113,941 and ₱2,559,532 in 2022 and 2021, respectively.

12. Other Noncurrent Asset

This account consists of deferred input VAT subject to amortization that amounted to ₱1,444,921 and ₱2,852,784 as of December 31, 2022 and 2021, respectively.

The TRAIN Law stated that the amortization of input VAT on capital goods, the acquisition cost of which exceeds ₱1,000,000 shall only be allowed until December 31, 2021. After the said date, taxpayers with unutilized input VAT on capital goods purchased or imported shall be allowed to apply the same as scheduled until fully utilized. Therefore, the input VAT on goods purchased on or after January 1, 2022 shall be fully recognized outright and may be claimed as input tax credits against output tax. On the other hand, if the purchase was made on or before December 31, 2021, the taxpayer can still amortize its input VAT until the same is fully utilized.

13. Current Liabilities

This account consists of:

	2022	2021
Accounts payable	₱ 6,278,968	₱ 6,180,877
Unearned rental income	828,793	828,793
Accrued other expenses	792,753	900,451
Withholding tax payable	537,307	392,070
Employee contributions payable	26,772	25,243
	₱ 8,464,593	₱ 8,327,434

Accounts payable represents the amount payable to land owners, contractors, and suppliers in 2022 and 2021.

14. Lease Liabilities

The maturity analysis of lease liabilities are as follows:

	2022	2021
Year 1	₱ 3,362,810	₱ 3,045,711
Year 2	1,358,255	2,551,296
Year 3	787,889	499,910
Year 4	65,976	-
Year 5	35,003	-
Total	5,609,933	6,096,917
Less: Current portion	(3,362,810)	(3,045,711)
Noncurrent portion	₱ 2,247,123	₱ 3,051,206

The Company does not face a significant liquidity risk concerning its lease liabilities.

15. Loans Payable

The composition and movement in this account are as follows:

	2022	2021
Face value		
Balance at beginning of year	₱ 26,000,000	₱ 48,333,333
Principal payments	(16,500,000)	(22,333,333)
Balance at end of year	9,500,000	26,000,000
Unamortized transaction cost		
Balance at beginning of year	172,988	324,087
Principal payments	(114,219)	(151,098)
Balance at end of year	58,769	172,988
Net carrying value	₱ 9,441,231	₱ 25,827,012
Balance at end of year	₱ 9,441,231	₱ 25,827,012
Less: Current portion	(7,949,667)	(16,385,781)
Noncurrent portion	₱ 1,491,564	₱ 9,441,231

These are loans payable to the Land Bank of the Philippines, CARD MBA, CARD MRI Multi-Employer Retirement Plan (MERP), and CARD, Inc. with an annual interest rate of 5%. In 2022 and 2021, interest paid on loans payable amounted to ₱1,077,926 and ₱2,523,999, respectively. No debt covenant is being implemented for the loans availed.

16. Other Liabilities

This account consists of security deposits from lessees that amounted to ₱3,776,690 and ₱3,711,592 as of December 31, 2022 and 2021, respectively.

17. Equity

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

	2022		2021	
	Shares	Amount	Shares	Amount
Common stock - ₱100 par value				
5,000,000 authorized shares				
Balance at the beginning of the year	3,768,693	₱ 376,869,300	3,485,379	₱ 348,537,900
Issuance of shares at beginning of year	-	-	283,314	28,331,400
Issuance of shares of stocks from settlement of subscription receivable	127,178	12,717,800	-	-
Stock dividend	38,487	3,848,700	-	-
	3,895,871	₱ 393,435,800	3,768,693	₱ 376,869,300

In March 2022, the Board of Directors approved the stock dividend declaration (₱1 per share) that amounted to ₱3,848,700.

In 2021, the Company issued 283,314 shares with a ₱100 par value with a total amount of ₱28,331,400.

Capital Management

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

Minimum Capital Requirement

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

18. Revenues

This account consists of:

	2022	2021
Rental income (Note 8)	₱ 25,338,753	₱ 24,463,776
Service income:		
Accommodation	3,688,409	1,538,301
Property maintenance	2,771,911	1,914,499
Construction and renovation facilitation	2,404,131	1,772,157
Asset and property management	761,726	524,413
	₱ 34,964,930	₱ 30,213,146

19. Expenses

a. Cost of services

Cost of services consist of:

	2022	2021
Depreciation expense (Notes 8, 10, and 11)	₱ 13,048,873	₱ 14,834,457
Compensation and fringe benefits	3,472,674	2,851,440
Rent expense	811,480	709,694
Service costs	786,600	392,063
Supplies expense	598,892	570,135
Interest expense from right-of-use assets (Note 14)	328,012	509,253
Retirement expense, net of contributions	84,924	149,947
	₱ 19,131,455	₱ 19,943,488

b. Operating expenses

Operating expenses consist of:

	2022	2021
Interest expense (Note 15)	₱ 1,077,926	₱ 2,523,999
Taxes and licenses	1,199,010	667,415
Janitorial and messengerial	1,141,565	1,101,433
Transportation and travel	603,035	495,605
Insurance expense	430,913	476,108
Management and professional fees	289,597	254,671
Others:		
Power, light and water	634,961	290,265
Miscellaneous expense	421,449	237,474
Communication and postage	221,096	234,849
Training and development	202,601	51,043
IT expenses	118,195	18,200
Periodicals	109,675	59,855
Repair and maintenance	100,551	231,727
Operating lease	14,832	23,782
Surveying cost	13,938	18,401
Fines and penalties	-	301,676
	₱ 6,579,344	₱ 6,986,503

The miscellaneous expense mainly consists of expenditures on antigen test kits, vaccination of personnel, share on processing fee and real property tax on acquisition of properties, staff uniforms and medicine, and garbage disposal.

20. Other Income

This account consists of:

	2022	2021
Interest income from cash in banks	₱ 393,798	₱ 209,779
Interest income from right-of-use asset	32,893	30,768
Interest income from loans	18,857	69,142
	₱ 445,548	₱ 309,689

21. Income Tax

a. Optional Standard Deduction

Effective July 2008, Republic Act 9504 was approved giving corporate taxpayers an option to claim an itemized deduction or optional standard deduction (OSD) equivalent to 40% of gross income. Once the option to use OSD is made, it shall be irrevocable for the taxable year for which the option was made. In 2022 and 2021, the Company opted to continue claiming the itemized deduction.

b. CREATE Act

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

- Effective July 1, 2020, the corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding ₱5,000,000 and with total assets not exceeding ₱100,000,000, 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 a 25% income tax;
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% effective July 1, 2020, to June 30, 2023;
- The imposition of improperly accumulated earnings is repealed.

c. Reconciliation

Reconciliation between accounting income and taxable income is presented below:

Regular Corporate Income Tax (RCIT)	2022	2021
Accounting income	₱ 9,699,679	₱ 3,519,343
Permanent differences:		
Interest income subject to final tax	(393,798)	(209,779)
Penalties and surcharges	-	301,676
Interest expense	78,760	41,956
PFRS 16 Depreciation	2,611,130	2,954,512
PFRS 16 Related rent expense	(3,113,940)	(3,068,785)
PFRS 16 Interest expense	328,012	509,253
PFRS 16 interest income	(32,893)	(30,768)
Temporary differences:		
Retirement expense, net of contributions	84,924	149,947
Accrued rent income	-	(504,010)
Taxable income	₱ 9,261,874	₱ 3,663,345
Income tax expense - 25% (under CREATE Act)	₱ 2,315,469	₱ 915,836
MCIT - 1%	157,625	108,102
Income tax expense	₱ 2,315,469	₱ 915,836
Prior year's excess tax credits	(1,833,276)	(1,384,543)
Income taxes paid and tax credits	(1,460,299)	(1,364,569)
Income tax overpayment	₱ (978,107)	₱ (1,833,276)

d. Provision for income tax consists of:

	2022	2021
Provision for final tax	₱ 78,760	₱ 41,956
Provision for current tax	2,315,469	915,836
Income tax adjustment (effect of CREATE Act in 2021)	-	(38,249)
Total	₱ 2,394,229	₱ 919,543

e. The Company did not recognize deferred tax liabilities on the following differences:

	2022	2021
Retirement liability (asset)	₱ (397,725)	₱ 282,591
Accrued rent	-	(504,010)
	₱ (397,725)	₱ (221,419)
Effective tax rate: 25%	25%	25%
Deferred tax liabilities	₱ (99,431)	₱ (55,355)

The unused excess tax credits for 2022 and 2021 are disclosed in Note 7 under Prepaid taxes.

22. 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) individuals 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 has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially the same terms, including rental, maintenance, and facilitation services, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectability present or other unfavorable conditions.

a. Transactions with retirement plans

Under PFRS, certain post-employment benefit plans are considered related parties. CARD-MRI's MERP is a stand-alone entity assigned in facilitating the contributions to retirement starting in 2005.

b. Other transactions with the related parties

The table below shows other transactions with the related parties of the Company:

December 31, 2022			
	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Accounts Receivable		₱ 392	
Charges	₱ 10,358,862		These are the facilitation for the construction of the building, building maintenance, aircon cleaning and maintenance, and asset and property management.
Collections	10,358,470		
Accounts Payable		-	These pertain to unpaid insurance paid for buildings and staff, supplies acquisition, and loan amortization payable
Charges	5,335,444		
Payments	5,335,444		
Service Income		-	This pertains to income from overseeing the construction of buildings, building maintenance, aircon cleaning and maintenance, asset and property management
Charges	9,182,265		
Collections	9,182,265		
Rental Income		-	This pertains to the rental fee for the building
Charges	25,338,752		
Collections	25,338,752		
Rental Expense		-	This pertains to rental of computer desktop
Charges	278,350		
Collections	263,090		
December 31, 2021			
	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Accounts Receivable		₱ 39,687	
Charges	₱ 6,328,897		These are the facilitation for the construction of the building, building maintenance, aircon cleaning and maintenance, and asset and property management.
Collections	6,289,210		
Accounts Payable		-	These pertain to unpaid insurance paid for buildings and staff, supplies acquisition, and loan amortization payable
Charges	5,335,444		
Payments	5,335,444		
Service Income		-	This pertains to income from overseeing the construction of buildings, building maintenance, aircon cleaning and maintenance, asset and property management
Charges	5,609,061		
Collections	5,609,061		
Rental Income		-	This pertains to the rental fee for the building
Charges	24,967,786		
Collections	24,967,786		
Rental Expense		-	This pertains to rental of computer desktop
Charges	379,139		
Collections	379,139		

c. Compensation of Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any director of the Company.

The compensation of key management personnel includes all forms of consideration paid, payable, or provided by the Company. This amounted to ₱836,719 and ₱602,425 in 2022 and 2021, respectively.

The Company did not have post-employment benefits, other long-term benefits, termination benefits, and share-based payment.

23. Retirement Benefits

The Company, CARD, Inc., CARD Bank, Inc., CARD SME Bank, Inc., CARD MRI Rizal Bank, Inc., CARD MRI Development Institute, Inc., CARD Mutual Benefit Association, Inc., CARD MRI Insurance Agency, CARD MRI Information Technology, Inc., CARD Employees Multi-Purpose Cooperative, Responsible Investments for Solidarity and Empowerment Financing Co., BotiCARD, Inc., CARD Leasing and Finance Corporation, CARD-Business Development Service Foundation, Inc., Mga Likha ni Inay, Inc., CARD MRI Hijos Tours, Inc., and CARD MRI Publishing House, Inc. maintain a funded and formal noncontributory defined benefit retirement plan - the MERP - covering all of their regular employees and CARD Group Employees' Retirement Plan (Hybrid Plan) applicable to employees hired on or after July 1, 2017. MERP is valued using the projected unit cost method and is financed solely by the Group and its related parties.

MERP complies with the requirements of Republic Act No. 7641 (Retirement Law). MERP provides lump sum benefits equivalent to up to 120% of the 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.

Hybrid Plan provides a retirement benefit equal to 100.00% of the member's employer accumulated value (the Bank's contributions of 8.0% of plan salary to Fund A plus credited earnings) and 100.0% of the Member's Employee accumulated value (member's own contributions up to 10.0% of plan salary to Fund B plus credited earnings), if any. Provided that in no case shall 100.0% of the Employee Accumulated Value in Fund A be less than 100.0% of plan salary for every year of credited service.

The latest actuarial valuation report covered reporting period as of December 31, 2022 and 2021.

The movements in the present value of pension obligation follows:

	2022	2021
Balance at the beginning of the year	₱ (3,294,313)	₱ (4,283,746)
Current service cost	(194,737)	(217,890)
Interest expense	(166,033)	(148,646)
Benefits paid from Plan assets	365,344	1,527,095
Transfer to the Plan	(48,189)	(3,443,241)
Actuarial loss	792,857	3,272,115
Balance at the end of the year	₱ (2,545,071)	₱ (3,294,313)

The movements in the fair value of plan assets follows:

	2022	2021
Balance at the beginning of the year	₱ 3,011,722	₱ 915,298
Interest income	147,044	67,591
Transfer to the Plan	48,189	3,443,241
Benefits paid from Plan assets	(365,344)	(1,527,095)
Contributions	128,802	148,998
Return on plan assets	(27,617)	(36,311)
Balance at the end of the year	₱ 2,942,796	₱ 3,011,722

The actual return on plan assets:

	2022	2021
Interest income	₱ 147,044	₱ 67,591
Remeasurement loss	(27,617)	(36,311)
Actual return	₱ 119,427	₱ 31,280

The amounts recognized in the statement of financial position follows:

	2022	2021
Fair value of plan assets	₱ 2,942,796	₱ 3,011,722
Present value of defined benefit obligation	(2,545,071)	(3,294,313)
Retirement asset (liability)	₱ 397,725	₱ (282,591)

The retirement expense recognized in profit or loss:

	2022	2021
Current service cost	₱ 194,737	₱ 217,890
Net interest	18,989	81,055
	₱ 213,726	₱ 298,945

The retirement cost recognized in Other Comprehensive Income follows:

	2022	2021
Cumulative loss in OCI, beginning	₱ (258,146)	₱ 2,977,658
Actuarial gain	(792,857)	(3,272,115)
Remeasurement loss - plan assets	27,617	36,311
Remeasurement loss - changes in the effect of the asset ceiling	50,630	-
	₱ (972,756)	₱ (258,146)

The movements in the net retirement liability follows:

	2022	2021
Balance at the beginning of the year	₱ 282,591	₱ 3,368,448
Retirement expense recognized in P&L	213,726	298,945
Retirement expense recognized in OCI	(714,610)	(3,235,804)
Contributions	(128,802)	(148,998)
Balance at the end of the year	₱ (347,095)	₱ 282,591

The allocation of plan assets is as follows:

	2022	2021
Cash and cash equivalents	40.74%	40.74%
Debt instruments - government bonds	42.95%	42.95%
Debt instruments - other bonds	5.58%	5.58%
Other investments - loans receivables	8.46%	8.46%
Other (Market gain/loss, accr. receivables net of payables, etc.)	2.27%	2.27%
	100.00%	100.00%

Cash and cash equivalents are deposited in reputable financial institutions and related parties and are deemed to be standard grade. The overall investment policy and strategy of the Company's defined benefit plans are 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 a defined retirement plan as well as the present value of the defined benefit obligation is determined using actuarial valuations. Actuarial valuation involves making various assumptions. The principal actuarial assumptions used in determining pension for the retirement plan are shown below:

	2022	2021
Discount rate	5.04%	5.04%
Salary increase rate	5.00%	5.00%

The weighted average duration of the defined benefit obligation at the end of the reporting period is 10.5 and 7.4 years, respectively.

24. Financial Instruments

The Company's financial assets and liabilities are recognized initially at a cost which is the fair value of the consideration given (in the case of assets) or received (in the case of liability).

Fair values are determined by reference to market-based evidence, which is the amount for which the financial assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as of the valuation date.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the statement of financial position (or in the detailed analysis provided in the notes to the financial statements).

The following tables set forth the carrying values and estimated fair values of the Company's financial assets and liabilities recognized as of December 31, 2022 and 2021, respectively:

	2022		2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Cash on hand and in banks	₱ 30,319,900	₱ 30,319,900	₱ 25,548,177	₱ 25,548,177
Loan and other receivable	269,566	269,566	786,978	786,978
Equity instruments at FVOCI	10,020,764	10,020,764	10,020,764	10,020,764
	₱ 40,610,230	₱ 40,610,230	₱ 36,355,919	₱ 36,355,919
Financial liabilities:				
Current liabilities	₱ 7,170,541	₱ 7,170,541	₱ 7,179,325	₱ 7,179,325
Loans payable	9,441,231	9,441,231	25,827,012	25,827,012
Other liabilities	3,776,690	3,776,690	3,711,592	3,711,592
	₱ 20,388,462	₱ 20,388,462	₱ 36,717,929	₱ 36,717,929

Due to the nature of these financial instruments, their fair values approximate the carrying values as of the reporting date.

24. Other Matter
COVID-19 Impacts

Since December 31, 2019 to December 31, 2022, the spread of COVID-19 has severely impacted many economies around the globe. In many countries, businesses were forced to cease or limit operations for long or indefinite periods. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. In the Philippines, varying quarantine measures were implemented beginning on March 17, 2020.

The Company's management has assessed and addressed the impacts of COVID-19. As of December 31, 2022 and 2021, all COVID-19 determinable impacts on the Company's 2022 and 2021 financial statements, as well as other subsequent events, that are adjusting events have been adjusted. Other determinable subsequent events that were not adjusting events have been disclosed as needed.

Uncertainties due to COVID-19 still exist as the pandemic continues. Even so, management confirms the validity of the going concern assumption for the Company. The Company has adequate funds and liquidity for its subsequent operations.

25. Approval of the Financial Statements

The accompanying financial statements were approved and authorized for issuance by the Board of Directors on March 22, 2023.

26. Supplementary Information Required by Bureau of Internal Revenue
I. Revenue Regulation (RR) No. 15-2010

On November 25, 2010, the Bureau of Internal Revenue issued RR No. 15-2010 which prescribes additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying the income tax returns. Under the said RR, companies are required to disclose, in addition to the disclosures mandated under PFRS and such other standards and/or conventions that may heretofore be adopted, in the Notes to Financial Statements, information on taxes, duties, and license fees paid or accrued during the taxable year.

This supplementary information on taxes and licenses is presented for purposes of filing with the Bureau of Internal Revenue and is not required by the PFRS.

Following is the required information under RR 15-2010 for the year ended December 31, 2022:

a. Value-added tax

Output VAT	₱ 4,187,567
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The Company has VATable sales for the year ended December 31, 2022 that amounted to ₱34,896,389.

Input VAT	P (1,189,398)
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The work forward analysis of the Company's Input VAT for its VATable purchases is as follows:

Balance at beginning of the year	P 472,336
Add: Purchases or payments for:	
Goods (Domestic)	P 276,218 33,146
Services (Domestic)	20,772,380 2,492,687
Less:	
Output VAT	(4,187,567)
Balance at end of the year	P (1,189,398)

b. Taxes and Licenses

Taxes, licenses and permit fees lodged under this account in the statement of comprehensive income for 2022 consist of:

Land processing and property tax	P 988,192
Business permit and fees	180,086
Documentary stamp tax	30,232
Other registration fees	500
	P 1,199,010

c. Withholding Taxes

The amount of withholding taxes for the year ended December 31, 2022:

Tax on compensation and benefits	P 147,855
Expanded withholding tax	394,366
	P 542,221

d. Tax Assessments and Cases

In March 2022, the Company received a Letter of Authority (LOA No. 055-2022-00000030 / SN: eLA201500005528) for the taxable year 2020. As of December 31, 2022, the tax audit is still in progress.

II. Revenue Regulation (RR) 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.

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