CARD MRI Publishing House Inc.

Financial Statements

December 31, 2022 and 2021

and

Independent Auditor's Report

ENDRIGA, MANANGU & ASSOCIATES
Certified Public Accountants

CARD MRI PUBLISHING HOUSE INC.
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2022

		As of December 31	
	Notes	**2022**	2021
ASSETS			
Current Assets			
Cash and cash equivalents	3, 5	**P 6,300,103**	P 5,516,123
Receivables	3, 6	**336,053**	77,305
Other current assets	3, 7	**781,299**	303,921
Total Current Assets		**7,417,455**	5,897,349
Noncurrent Asset			
Retirement asset		**100,146**	-
Fixed assets, net	3, 8	**649,148**	266,930
Intagible assets, net	9	**227,220**	-
Total Noncurrent Assets		**976,514**	-
TOTAL ASSETS		**P 8,393,969**	P 6,164,279
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
Current Liabilities			
Accrued expenses and other payables	3, 10	**P 468,124**	P 762,620
Due to affiliates	3, 15	**-**	11,220
Income tax payable	3, 14	**29,673**	85,372
Total Current Liabilities		**497,797**	859,212
Noncurrent Liability			
Retirement liability	3, 13	**-**	391,356
Total Noncurrent Liability		**-**	391,356
STOCKHOLDERS' EQUITY			
Capital stock	3, 11	**3,050,000**	2,000,000
Retained earnings	3	**4,846,172**	2,913,711
Total Stockholders' Equity		**7,896,172**	4,913,711
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**P 8,393,969**	P 6,164,279

See accompanying Notes to Financial Statements.

CARD MRI PUBLISHING HOUSE INC.
STATEMENTS OF INCOME
As of December 31, 2022

	Notes		2022		2021
		For the Years Ended December 31			
REVENUES	3				
Book sales		**P**	**14,709,140**	P	11,342,494
Service revenue			**6,401,288**		3,296,927
			21,110,428		14,639,421
COST OF SALES AND SERVICES	3		**10,040,446**		6,047,031
GROSS INCOME			**11,069,982**		8,592,390
OPERATING EXPENSES					
Salaries and wages			**4,601,946**		3,665,167
Program, monitoring and evaluation			**907,938**		326,315
Taxes and licenses			**405,304**		247,890
Office supplies			**347,763**		220,981
Management and other professional fees			**316,230**		82,380
Transportation and travel			**307,067**		227,146
Advertising and publicity			**272,292**		2,500
Rentals			**220,814**		78,444
Outsource services			**216,000**		-
Communication and Postage			**212,335**		137,557
Depreciation expense	3, 8		**190,612**		83,908
Seminars and meetings			**166,177**		128,140
Insurance expense			**142,701**		94,099
Utilities			**135,859**		116,988
Staff training and development			**106,044**		141,398
Retirement expense	3, 13		**88,585**		78,125
Amortization			**75,740**		-
Miscellaneous expense	12		**499,064**		348,332
			9,212,471		5,979,370
OPERATING INCOME			**1,857,511**		2,613,020
OTHER INCOME (CHARGES), NET					
Actuarial gain (loss) on retirement plan	3, 13		**407,722**		(143,396)
Interest income	3, 5		**36,956**		48,521
Miscellaneous income			**50,494**		-
			495,172		(94,875)
NET INCOME BEFORE TAX			**2,352,683**		2,518,145
PROVISION FOR INCOME TAX	3, 14		**420,222**		494,800
NET INCOME AFTER TAX		**P**	**1,932,461**	P	2,023,345

See accompanying Notes to Financial Statements.

CARD MRI PUBLISHING HOUSE INC.
STATEMENTS OF CHANGES IN EQUITY
As of December 31, 2022

		Common Stock (Note 11)		Retained Earnings		Total
As at January 1, 2022	**P**	**2,000,000**	**P**	**2,913,711**	**P**	**4,913,711**
Issuance of stock through collections of subscription receivables		**1,050,000**		**-**		**1,050,000**
Net income for the year		**-**		**1,932,461**		**1,932,461**
At December 31, 2022	**P**	**3,050,000**	**P**	**4,846,172**	**P**	**7,896,172**
As at January 1, 2021	P	2,000,000	P	890,366	P	2,890,366
Net income for the year		-		2,023,345		2,023,345
At December 31, 2021	P	2,000,000	P	2,913,711	P	4,913,711

See accompanying Notes to Financial Statements.

CARD MRI PUBLISHING HOUSE INC.
STATEMENTS OF CASH FLOWS
As of December 31, 2022

	Notes		For the Years Ended December 31 2022		2021
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income before tax		**P**	**2,352,683**	P	2,518,145
Adjustments for:					
Actuarial (gain) loss on retirement plan	13		**(407,722)**		143,396
Depreciation expense	8		**190,612**		83,908
Retirement expense	13		**88,585**		78,125
Amortization	9		**75,740**		-
Interest income	5		**(36,956)**		(48,521)
Operating income before working capital changes			**2,262,942**		2,775,053
Changes in operating assets and liabilities					
Decrease (increase) in:					
Receivables	6		**(258,748)**		160,437
Other current assets	7		**(477,378)**		843,739
Increase (decrease) in:					
Due to affiliates	15		**(11,220)**		(7,680)
Accrued and other expenses payable	10		**(294,496)**		89,241
Net cash provided by operations			**1,221,100**		3,860,790
Interest received	5		**36,956**		48,521
Income taxes paid	14		**(475,921)**		(409,428)
Contributions to retirement plan	13		**(172,365)**		(142,428)
Net cash provided by operating activities			**609,770**		3,357,455
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash dividends paid	10		**-**		(35)
Proceeds from issuance of common stock	10		**1,050,000**		-
Net cash provided by (used in) financing activities			**1,050,000**		(35)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of fixed assets	8		**(572,830)**		(270,703)
Acquisition of intangible assets	9		**(302,960)**		-
Net cash used in investing activities			**(875,790)**		(270,703)
NET INCREASE IN CASH			**783,980**		3,086,717
CASH AT BEGINNING OF YEAR			**5,516,123**		2,429,406
CASH AT END OF YEAR		**P**	**6,300,103**	P	5,516,123

See accompanying Notes to Financial Statements.

CARD MRI PUBLISHING HOUSE INC.
NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2022 and 2021

1. General Information

CARD MRI PUBLISHING HOUSE INC. (the Company), was incorporated and duly registered with the Securities and Exchange Commission (SEC) on July 11, 2017. The Company's primary purposes are: (a) to provide a development newspaper and other publications to CARD MRI stakeholders and the public; (b) to communicate microfinance and community development programs to CARD MRI, the public, and the community; (c) to distribute development newspaper and other publications in the Philippines and in other countries if needed; (d) to publish books internally produced by CARD MRI and its clients, other writers, authors, and other publisher; and (e) to carry on the business as printers, book sellers, bookbinders, paper and stationary makers, engravers, photographers, photographic printers, rishography, duplicators, electro-typers, lithographers, machinist, silk screeners, or any other business or activities that may seem expedient and/or connected with the publishing business.

Under Republic Act 9337 as implemented by Revenue Regulations 16-2005, sale, importation, printing or publication of books and any newspaper, magazine, review, or bulletin which appears at regular intervals with fixed prices for subscription and sale and which is not devoted principally to the publication of paid advertisement is not subject to VAT (output tax). Consequently, tax credit of VAT (Input tax) on purchases related to these VAT-exempt transactions is not allowed.

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

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

2. Financial Reporting Framework

Basis of Preparation

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

Statement of Compliance

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

Functional and Presentation Currency

These financial statements are presented in Philippine Peso, the currency of the primary economic environment in which the Company operates. All amounts are rounded to the nearest peso, except when otherwise indicated.

3. Summary of Significant Accounting Policies

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

Cash and cash equivalents

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

Financial Instruments

The Company classifies its financial instruments as either basic financial instruments or other financial instruments. Financial instruments are recognized only when the Company becomes a party to the contractual provisions of the contract.

Basic Financial Instruments

The Company's basic financial assets and liabilities are measured initially at transaction price (including transaction costs).

Basic Financial Instruments at amortized cost

The amortized cost of a financial instrument at the end of each reporting period is computed as the net of the amount at which the financial instrument is measured at initial recognition, minus any repayments of the principal, plus or minus the cumulative amortization using the effective interest method of any difference between the amount at initial recognition and the maturity amount, minus, in the case of a financial asset, any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Effective Interest Method

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the carrying amount of the financial asset or financial liability. The effective interest rate is determined on the basis of the carrying amount of the financial asset or liability at initial recognition.

Under the effective interest method, the amortized cost of a financial asset (liability) is the present value of future cash receipts (payments) discounted at the effective interest rate; and the interest expense (income) in a period equals the carrying amount of the financial liability (asset) at the beginning of a period multiplied by the effective interest rate for the period.

Basic Financial Instruments measured at undiscounted amount

Short-term debt instruments are measured at undiscounted amount of the cash or other consideration expected to be paid or received (i.e. net of impairment).

Cash is included in this category.

Basic Financial Instruments measured at lower of cost or fair value

The Company has no basic financial instruments measured at lower of cost or fair value at the end of each reporting period.

Impairment of Financial Assets Measured at Cost or Amortized Cost

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

Objective evidence that a financial asset or group of assets is impaired includes observable data that come to the attention of the Company about the following loss events:

- A breach of contract by the debtor, such as default or delinquency in interest or principal payments;
- The Company, for economic or legal reasons relating to the debtor's financial difficulty, granting the debtor a concession that the Company would not otherwise consider; or
- Significant financial difficulty of the debtor or the issuer or it has become probable that the debtor or the issuer will enter bankruptcy or other financial reorganization.

For an instrument measured at amortized cost, the impairment loss is the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If such a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the Company reverses the previously recognized impairment loss either directly or adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset (net of allowance account) that exceeds what the carrying amount would have been had the impairment not previously recognized. The Company recognizes the amount of reversal in profit or loss immediately.

Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or are settled, or when it transfers the financial asset and substantially all of the risks and rewards of ownership of the financial asset to another entity.

Derecognition of financial liabilities

The Company derecognizes a financial liability (or a part of a financial liability) only when it is extinguished or when the obligation specified in the contract is discharged, is canceled, or has expired.

Any difference between the carrying amount of the financial liability (or any part of financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed are recognized in profit or loss.

Inventories

Inventories are stated at the lower of cost and market value. Costs of inventories include all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Other Current Assets

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

Property and Equipment

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

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

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

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

Impairment of Non-Financial Assets

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

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

Provisions and Contingencies

Provisions

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

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

Contingent Assets and Liabilities

Contingent assets and liabilities are not recognized in the statement of assets, liabilities, and equity.

Capital Stock

The 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

Book sales

Books sales are 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 Revenue

Service revenue is recognized in the accounting period in which the services are rendered, by reference to the completion of the specific transaction assessed on the basis of the actual service provided. This includes income generated from advertisement placements, review of marketing materials, maintenance of CARD-MRI social media and website, lay-outing, printing, and other facilitation services.

Interest income

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

Expenses

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

Expenses are recognized in the statement of income:

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

Cost of sales and services are costs that include all expenses associated with the specific sale of goods and services. Cost of sales and services includes the purchase price and capitalizable purchase costs less any related purchase returns, discounts and allowances. Such costs are provided in the period when sales or services are rendered.

Retirement Benefits

The Company operates a defined benefit retirement plan which requires 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 (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 an 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. 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.

Income Tax

The Company's income tax expense includes only the current income tax. Income tax expense and liability are recognized based on the taxable income for the year using the tax rates that have been enacted or substantively enacted at the reporting date.

Related Parties

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

The preparation of financial statements in accordance with PFRS for SEs requires the Company to make judgments and estimates that affect the reported amounts of assets, liabilities, income, and expenses, and disclosure relating to contingent assets and contingent liabilities. Future events may occur which may cause the assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

Judgment and estimates are continually evaluated and are based on expectations of future events that are believed to be reasonable under the circumstances.

As of December 31, 2022 and 2021, management assessed that there is no significant judgment exercised in respect to the preparation of the financial statements.

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

Present value of retirement liability

The cost of defined benefit retirement plan and other post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of reporting date, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The present value of the retirement liability and fair value of plan assets are disclosed in Note 12.

5. Cash and Cash Equivalents

This account consists of:

		2022		2021
Cash in banks	**P**	**4,270,103**	P	5,486,123
Short-term time deposit		**2,000,000**		-
Petty cash fund		**30,000**		30,000
	P	**6,300,103**	P	5,516,123

Cash in banks represents deposits with four local banks which earn an annual interest rate of 0.05% to 0.50% and 0.05% to 1.00% in 2022 and 2021, respectively.

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

Interest income earned by the Company from cash and cash equivalents amounted to P36,956 and P48,521 in 2022 and 2021, respectively.

6. Receivables

This account consists of:

		2022		2021
Due from affiliates (Note 14)	P	-	P	18,633
Other receivables		336,053		58,672
	P	336,053	P	77,305

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

7. Other Current Asset

This account consists of:

		2022		2021
Inventory - books	P	629,561	P	86,665
Prepaid expenses		77,133		86,956
Inventory - supplies		31,168		56,292
Security deposits		19,665		30,376
Prepaid tax		-		43,632
Others		23,772		-
	P	781,299	P	303,921

Prepaid expense mainly consists of the accident insurance premium paid in advance which is expected to be consumed within the 12 months normal course of business.

Inventories-books pertain to unsold books, magazines, newspapers, and comics.

Inventory-supplies pertain to supplies for the daily consumption of the operations.

Prepaid tax represents overpayment of income tax.

8. Fixed assets, net

Details of fixed assets are as follows:

2022

Cost:		Furniture and Fixtures		Office Equipment		Office Computer		Total
Balance at beginning of the year	**P**	**29,854**	**P**	**94,611**	**P**	**260,503**	**P**	**384,968**
Additions		**23,333**		**67,288**		**482,209**		**572,830**
Balance at end of the year		**53,187**		**161,899**		**742,712**		**957,798**
Accumulated Depreciation								
Balance at beginning of the year		**12,493**		**59,626**		**45,919**		**118,038**
Depreciation		**14,402**		**36,711**		**139,498**		**190,612**
Balance at end of the year		**26,895**		**96,337**		**185,418**		**308,650**
Net Book Value	**P**	**26,293**	**P**	**65,562**	**P**	**557,294**	**P**	**649,148**

2021

Cost:		Furniture and Fixtures		Office Equipment		Office Computer		Total
Balance at beginning of the year	P	19,654	P	94,611	P	-	P	114,265
Additions		10,200		-		260,503		270,703
Balance at end of the year		29,854		94,611		260,503		384,968
Accumulated Depreciation								
Balance at beginning of the year		5,975		28,155		-		34,130
Depreciation		6,518		31,470		45,919		83,908
Balance at end of the year		12,493		59,626		45,919		118,038
Net Book Value	P	17,361	P	34,985	P	214,584	P	266,930

9. Intangible asset, net

Intangible asset pertains to MFI Newswire, a site to empower the articles of the Company and also CARD Mutually Reinforcing Institutions internationally. The amortization of intangible asset is on a straight-line basis over a period of three (3) years and is recorded under the 'Amortization expense' account.

Details of intangible asset is as follows:

2022

Cost:		
Balance at beginning of the year	**P**	**-**
Additions		**302,960**
Balance at end of the year		**302,960**
Accumulated Depreciation		
Balance at beginning of the year		**-**
Depreciation		**75,740**
Balance at end of the year		**75,740**
Net Book Value		**227,220**

10. Accrued expenses and other payables

This account consists of:

		2022		2021
Accrued expenses	**P**	**236,534**	P	189,462
Withholding taxes payable		**89,954**		34,696
Percentage tax payable		**57,527**		-
Deposits for future stock subscription		**-**		500,000
Others		**84,109**		38,462
	P	**468,124**	P	762,620

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

In 2021, the Company has approved an increase in its authorized capital stock and received deposits for future stock subscriptions to the said increase.

11. Equity

Capital Stock

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

	2022			2021		
	Shares		**Amount**	Shares		Amount
Common stock - P5 par value, 1,000,000 authorized stocks						
Balance at beginning of the year	**400,000**	**P**	**2,000,000**	400,000	P	2,000,000
Issuance of capital stock from settlement of subscription	**210,000**		**1,050,000**	-		-
	610,000	**P**	**3,050,000**	400,000	P	2,000,000

Capital Management

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

Minimum Capital Requirement

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

12. Miscellaneous Expense

Details of operating expenses are as follows:

		2022		2021
Information technology		**190,831**		56,535
Repairs and maintenance		**112,628**		109,732
Honorarium		**42,000**		63,000
Supervision and examination		**-**		23,021
Others		**153,605**		96,044
	P	**499,064**	P	348,332

Others include burial assistance, rapid testing expenses and other employee-related expenses.

13. Retirement benefits

The Company, CARD Bank Inc., CARD MRI Development Institute, Inc. (CMDI), CARD Mutual Benefit Association, Inc., CARD SME Bank, Inc., CAMIA, CMIT, CARD Employees Multi-Purpose Cooperative (EMPC), Responsible Investments for Solidarity and Empowerment Financing Co., BotiCARD Inc., CLFC, Rizal Bank, Inc. 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 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.

In addition to the Company's defined benefit retirement plan, the Company also operates a defined contribution plan referred to as a "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% 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 latest actuarial valuation report covers reporting period as at December 31, 2022.

The amounts recognized in the statement of financial position follows:

		2022		2021
Fair value of plan assets	**P**	**(1,339,597)**	P	(450,301)
Present value of defined benefit obligation		**1,231,296**		841,657
Effect of asset ceiling		**8,155**		-
Retirement (asset) liability	**P**	**(100,146)**	P	391,356

The retirement expense recognized in profit or loss:

		2022		2021
Current service cost	**P**	**90,821**	P	68,411
Net interest		**(2,236)**		9,714
	P	**88,585**	P	78,125

The movements in the present value of pension obligation follows:

		2022		2021
Balance at the beginning of the year	**P**	**841,657**	P	607,023
Interest expense		**43,514**		24,463
Current service cost		**90,821**		68,411
Actuarial (gain) loss		**(441,537)**		141,760
Benefits paid from plan assets		**(297,898)**		-
Transfers to the plan		**994,739**		-
Balance at the end of the year	**P**	**1,231,296**	P	841,657

The movements in the fair value of plan assets follows:

		2022		2021
Balance at the beginning of the year	**P**	**450,301**	P	294,760
Interest income		**45,750**		14,749
Contributions		**172,365**		142,428
Benefits paid from plan assets		**(297,898)**		-
Transfer to the plan		**994,739**		-
Return on plan asset		**(25,660)**		(1,636)
Balance at the end of the year	**P**	**1,339,597**	P	450,301

The movements in the net retirement liability follows:

		2022		2021
Balance at the beginning of the year	**P**	**391,356**	P	312,263
Retirement expense recognized in P&L		**88,585**		78,125
Retirement expense recognized in OCI		**(407,722)**		143,396
Contributions		**(172,365)**		(142,428)
	P	**(100,146)**	P	391,356

The allocation of plan assets is as follows:

		2022		2021
Cash and cash equivalents	**P**	**219,560**	P	183,453
Debt instruments		**989,292**		218,531
Loans		**112,392**		38,095
Other		**18,352**		10,222

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	**7.28%**	5.17%
Salary increase rate	**5.00%**	5.00%
Average remaining working lives	**31.5 years**	32.8 years

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

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

		2022		2021
Less than 1 year	**P**	94,738	P	45,409
More than 1 year to 5 years		417,486		231,674
More than 5 years to 10 years		642,958		376,504

14. Income Taxes

CREATE Act

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

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

a. Applicable rates

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

b. 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.

c. Tax computation

		2022		2021
Revenue	**P**	**21,110,428**	P	14,639,421
Less: Cost of sales and services		**(10,040,446)**		(6,047,031)
Gross income from operation		**11,069,982**		8,592,390
Add: Other income		**50,494**		-
Total Gross income		**11,120,476**		8,592,390
Less: Itemized deductions		**(9,054,269)**		(5,856,012)
Taxable income	**P**	**2,066,207**	P	2,736,378
Income tax expense - at 20%	**P**	**413,241**	P	547,276
MCIT- at 1%		**110,700**		85,924
Income tax expense	**P**	**413,241**	P	547,276
Income taxes paid and tax credits				
Prior year's excess tax credit		**-**		(284,052)
Income tax payment from 1st to 3rd quarter		**(108,650)**		-
Creditable taxes withheld 1st to 4th quarter		**(274,918)**		(177,852)
Income tax payable	**P**	**29,673**	P	85,372

d. Reconciliation

Reconciliation between accounting income and taxable income is presented below:

Regular Corporate Income Tax (RCIT)		**2022**		2021
Accounting income	**P**	**2,352,683**	P	2,518,145
Permanent differences:				
Interest income subject to final tax		**(36,956)**		(48,521)
Contributions to retirement plan		**(172,365)**		(142,428)
Amortized portion for the past service cost		**(6,430)**		-
Accumulated vacation leave		**173,010**		129,788
Temporary differences:				
Actuarial (gain) loss on retirement plan		**(407,722)**		143,396
Retirement expense		**88,585**		78,125
Contributions subject to amortization		**75,402**		57,873
Taxable income	**P**	**2,066,207**	P	2,736,378

e. Provision for income tax consists of:

		2022		2021
Provision for current tax	**P**	**413,241**	P	547,276
Provision for final tax		**6,981**		9,704
Income tax adjustment (effect of CREATE Law in 2020)		**-**		(62,180)
	P	**420,222**	P	494,800

15. Related Party Transactions

In the ordinary course of business, the Company transacts with related parties. Related parties include directors, members, officers, employees, and entities where directors, members, and officers hold key management positions. Transactions with such parties are made in the ordinary course of business and on substantially the same terms, including interest, as those prevailing at the time for comparable transactions with other parties. These transactions are made substantially on the same terms as other individuals and businesses of comparable risks and are generally settled in cash.

Transactions with retirement plans

Under PFRS for SEs, certain post-employment benefit plans are considered as related parties.

CARD-MRI's MERP is a stand-alone entity assigned in facilitating the contributions to retirement starting 2005.

Other related party transactions

Transactions between the Company and its affiliates within the CARD-MRI, qualified as related party transactions. Related party transactions and balances as at and for the years ended December 31, 2022 and 2021 are as follows:

	December 31, 2022		
	Amount/ Volume	**Outstanding Balance**	**Nature, Terms and Condition**
Cash and cash equivalents		P **5,818,886**	
Placements	P **30,669,798**		This pertains to savings account with annual interest rate of 1.0%.
Withdrawals	**30,221,927**		
Due from affiliates			The amount represents the uncollected billing from website content, Press Release, Planner and birthday cards.
Billings	**22,780,012**		
Settlement	**22,798,645**		
Service revenue	**6,401,288**		Income earned from social media like Website Contents, Advertising Value equivalent, Press Releases and Media Briefings and others are from the Job orders including printing, editing, layouts and others.
Book sales	**14,709,140**		Income earned from sale of books to affiliates; all on cash basis.
Cost of service	**10,040,446**		Direct expenses incurred by the Company in providing services.

	December 31, 2021		
	Amount/ Volume	Outstanding Balance	Nature, Terms and Condition
Cash and cash equivalents		P 5,486,123	
Placements	P 16,531,053		This pertains to savings account with annual interest rate of 1.0%.
Withdrawals	13,444,337		
Due from affiliates		18,633	The amount represents the uncollected billing from website content, Press Release, Planner and birthday cards.
Billings	14,738,440		
Settlement	14,901,376		
Service revenue	3,296,927		Income earned from social media like Website Contents, Advertising Value equivalent, Press Releases and Media Briefings and others are from the Job orders including printing, editing, layouts and others.
Book sales	11,342,494		Income earned from sale of books to affiliates; all on cash basis.
Due to affiliates		11,220	Unpaid over payment for the books purchased.
Cost of service	6,047,031		Direct expenses incurred by the Company in providing services.

16. Other Matter

COVID-19 Impacts

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

The Company's management has assessed and addressed the impacts of COVID-19. As of December 31, 2022 and 2021, all COVID-19 determinable impacts on the Company's 2022 and 2021 financial statements, 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 may still exist as the pandemic has not been officially declared over globally (although the state of public health emergency in the Philippines has been extended only until December 31, 2022). Even so, management confirms the validity of the going concern assumption for the Company. The Company has adequate funds and liquidity for its subsequent operations.

17. Approval of the Release of the Financial Statements

The accompanying financial statements were authorized for issue by the Board of Directors of the Company on March 23, 2023.

18. Supplementary Information Required By Bureau of Internal Revenue

Revenue Regulations (RR) No. 15-2010

On November 25, 2010, the Bureau of Internal Revenue (BIR) issued RR 15-2010 prescribing the manner of compliance in connection with the preparation and submission of financial statements accompanying the tax returns. It includes provisions for additional disclosure requirements in the notes to the financial statements, particularly on taxes, duties and licenses paid or accrued during the 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 for SEs.

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

a. Taxes and Licenses

Percentage taxes	**P**	**211,104**
Documentary stamp tax		**107,230**
Business permit		**86,470**
BIR Annual registration fee		**500**
	P	**405,304**

b. Withholding Taxes

Expanded withholding	**P**	**253,402**
Tax on compensation and benefits		**121,332**
	P	**374,734**

c. Tax Assessments and Cases

In March 2022, the Company received a Letter of Authority (LOA No. 055-2022-00000031 / SN: eLA201500005529) for the taxable year 2020. As of December 31, 2022, the tax audit is still in progress.