Responsible Investments for Solidarity and Empowerment (RISE) Financing Company, Inc.

Financial Statements

December 31, 2019
(With Comparative Figures for December 31, 2018)

and

Independent Auditor's Report

ENDRIGA, MANANGU & ASSOCIATES
Certified Public Accountants

Responsible Investments for Solidarity and Empowerment (RISE) Financing Company, Inc.

STATEMENTS OF FINANCIAL POSITION

(With Comparative Figures for December 31, 2018)

	Notes		As of December 31 2019		2018
ASSETS					
ASSETS					
Cash	2, 6	**P**	**12,840,976**	P	10,974,893
Loans and receivables	2, 7		**7,068,734**		9,990,264
Property and equipment	2, 9		**749,285**		860,825
Investment properties	2, 10		**12,247,210**		12,495,470
Other assets	2, 8		**58,869**		198,450
TOTAL ASSETS		**P**	**32,965,074**	P	34,519,902
LIABILITIES AND STOCKHOLDERS' EQUITY					
LIABILITIES					
Accounts payable and accrued expenses	2, 11	**P**	**354,564**	P	823,271
Income tax payable	2, 17		**526**		24,215
Retirement liability	2, 13		**225,235**		14,605
Deferred tax liabilities	2		**-**		414,733
Total Liabilities			**580,325**		1,276,824
STOCKHOLDERS' EQUITY					
Common stock	2, 12		**42,500,000**		42,500,000
Treasury stock	2, 12		**(2,901,307)**		(2,901,307)
Deficit	2, 12		**(7,533,945)**		(6,571,824)
Remeasurement gains on retirement liability	2, 13		**320,001**		216,209
Total Stockholders' Equity			**32,384,749**		33,243,078
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**P**	**32,965,074**	P	34,519,902

See accompanying Notes to Financial Statements.

Responsible Investments for Solidarity and Empowerment (RISE) Financing Company, Inc.
STATEMENTS OF COMPREHENSIVE INCOME
(With Comparative Figures for December 31, 2018)

	Notes		2019		2018 (As restated)
			For the Years Ended December 31		
INCOME					
Interest income	2, 7	**P**	**1,340,751**	P	1,975,200
Other income	14		**288,506**		259,840
			1,629,257		2,235,040
COST OF SERVICES	2, 15		**970,353**		835,191
TOTAL OPERATING INCOME			**658,904**		1,399,849
OPERATING EXPENSES					
Marketing and program expenses			**414,640**		420,804
Provision for impairment- investment property	10		**248,260**		-
Transportation			**212,446**		221,635
Taxes and licenses			**166,257**		204,771
Honorarium			**155,000**		119,167
Management and professional fees			**178,460**		250,063
Postage, telephone and cables			**116,591**		101,764
Loss on write-off of assets			**94,506**		373,238
Insurance			**83,341**		101,750
Retirement expense	13		**57,466**		52,015
Provision for credit losses	7		**55,980**		998
Supervision and examination			**5,047**		18,633
Miscellaneous	16		**236,480**		329,913
TOTAL OPERATING EXPENSES			**2,024,474**		2,194,751
Interest income on cash in banks	6		**323,562**		20,540
NET LOSS BEFORE TAX			**(1,042,008)**		(774,362)
PROVISION FOR INCOME TAX	2, 17				
Current			**77,890**		28,323
Deferred			**(157,777)**		-
			(79,887)		28,323
NET LOSS AFTER TAX			**(962,121)**		(802,685)
OTHER COMPREHENSIVE INCOME					
Item that do not recycle to profit or loss in subsequent periods:					
Remeasurement gain on retirement liability	2, 13		**103,792**		3,024
TOTAL COMPREHENSIVE LOSS		**P**	**(858,329)**	P	(799,661)

See accompanying Notes to Financial Statements.

Responsible Investments for Solidarity and Empowerment (RISE) Financing Company, Inc.

STATEMENTS OF CHANGES IN EQUITY

(With Comparative Figures for December 31, 2018)

		Common Stock (Note 12)		Treasury Stock (Note 12)		Deficit		Remeasurement Gains on Retirement Liability (Note 13)		Total
Balance at January 1, 2019	**P**	**42,500,000**	**P**	**(2,901,307)**	**P**	**(6,571,824)**	**P**	**216,209**	**P**	**33,243,078**
Total loss for the year		**-**		**-**		**(962,121)**		**-**		**(962,121)**
Other comprehensive income		**-**		**-**		**-**		**103,792**		**103,792**
Balance at December 31, 2019	**P**	**42,500,000**	**P**	**(2,901,307)**	**P**	**(7,533,945)**	**P**	**320,001**	**P**	**32,384,749**
Balance at January 1, 2018		42,500,000		(2,901,307)		(5,769,139)		213,185		34,042,739
Total loss for the year		-		-		(802,685)		-		(802,685)
Other comprehensive income		-		-		-		3,024		3,024
Balance at December 31, 2018	P	42,500,000	P	(2,901,307)	P	(6,571,824)	P	216,209	P	33,243,078

See accompanying Notes to Financial Statements.

Responsible Investments for Solidarity and Empowerment (RISE) Financing Company, Inc.

STATEMENTS OF CASH FLOWS

(With Comparative Figures for December 31, 2018)

	Notes		For the Years Ended December 31 2019		2018
CASH FLOWS FROM OPERATING ACTIVITIES					
Net loss before tax		**P**	**(1,042,008)**	P	(774,362)
Adjustments for:					
Depreciation	9		**111,540**		111,540
Loss on write-off of asset			**94,506**		373,238
Retirement expense	13		**57,466**		52,015
Provision for credit and impairment loss	7, 10		**304,240**		998
Reversal of accrued expense	14		**(273,467)**		-
Interest income	6		**(323,562)**		(20,540)
Operating loss before working capital changes			**(1,071,285)**		(257,111)
Decrease (increase) in:					
Loans and receivables	7		**2,865,550**		3,619,991
Other assets	8		**45,075**		(61,555)
Increase (decrease) in:					
Accounts payable and other accrued expenses	11		**(195,240)**		134,907
Net cash provided by operations			**1,644,100**		3,436,232
Interest income	6		**323,562**		20,540
Income taxes paid	17		**(101,579)**		(28,018)
Net cash provided by operating activities			**1,866,083**		3,428,754
NET INCREASE IN CASH			**1,866,083**		3,428,754
CASH AT BEGINNING OF YEAR			**10,974,893**		7,546,139
CASH AT END OF YEAR		**P**	**12,840,976**	P	10,974,893

See accompanying Notes to Financial Statements.

1. Corporate Information

Responsible Investment for Solidarity and Empowerment (RISE) Financing Company, Inc. (the Company), was registered with the Philippine Securities and Exchange Commission (SEC) on April 8, 2000 and started operations in October 2000. The Company was incorporated to perform:

1. Quasi-banking and money market operations upon approval of the Bangko Sentral ng Pilipinas (BSP);
2. Trust operation upon prior approval of the BSP;
3. Issuance of bonds and other capital instruments;
4. Rediscounting of its papers with government financial institutions;
5. Participate in special loan or credit programs;
6. Provide foreign currency loans and leases to enterprises that earn foreign currency by exports or other means, subject to existing laws and rules and regulations promulgated by the BSP; and
7. Engage in all operations and activities of financing companies as provided in the *Financing Company Act* , Republic Act (RA) No. 8556.

The Company is owned by Center for Agriculture and Rural Development, Inc. (CARD, Inc.) or the Parent Company, National Secretariat for Social Action (NASSA), Ad Jesum Development Foundation, Inc. and individual stockholders sharing 61.91%, 22.32%, 14.43% and 1.34% respectively, of its outstanding capital stock.

On February 15, 2019, after a thorough review of the Company's business strategies in relation to its operations and organizations, the Board of Directors unanimously adopted a resolution to shorten the Company's corporate term up to June 30, 2020. This was ratified by at least two-thirds (2/3) vote of stockholders in a Special Stockholders' meeting held last March 20, 2019.

On August 30, 2019, the Company's shortened life was extended to September 30, 2020.

The Company’s registered and principal place of business is at Unit 909 Malate Crown Plaza Condominium, Adriatico St., corner San Andres St., Malate, Manila.

2. Summary of Significant Accounting Policies

Basis of Preparation

In view of management's intention to liquidate, the Company changed its basis of accounting from going concern accounting to liquidation basis of accounting starting from the year ended December 31, 2018. This basis of accounting is considered appropriate when, among other things, liquidation is probable.

Under this basis of accounting, assets are presented at estimated realizable value and all liabilities are presented at estimated settlement amounts. The application of the liquidation basis of accounting did not significantly affect the amounts in the financial statements as the Company applied the relevant liabilities. The measurement bases described in the summary of significant accounting policies section of this Note.

Due to the limited and simple nature of transactions and balances for the year ended December 31, 2019, all new accounting standards and amendment to existing standards effective 2019 and beyond are either not relevant or has no significant impact on the Company's financial statements.

The financial statements are presented in Philippine Peso, which is the Company's functional and presentation currency. All values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance

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

Presentation of Financial Statements

The Company presents its statement of financial position in order of liquidity. An analysis regarding recovery of assets or settlement of liabilities within one year after the statement of reporting date (current) and beyond one year (non-current) is presented in Note 5 to the financial statements.

Changes in Accounting Policies and Disclosures

The Company applied for the first time certain pronouncements. Adoption of the pronouncements did not have a significant impact on the Company's financial position or performance, unless indicated.

Effective for annual periods beginning on or after January 1, 2019:
• Annual Improvements to PFRSs 2015-2017 Cycle
• Amendments to PAS 19, Plan Amendment, Curtailment or Settlement
• Amendments to PFRS 9, Prepayment Features with Negative Compensation
• PFRS 16, Leases

For a lessee, PFRS 16 requires recognition of "right-of-use" asset, and corresponding recognition of corresponding liability to pay rentals (lease liability).

The Company is not a lessee in 2019 and 2018. Management does not expect the Company to be a lessee in the future.

For a lessor, PFRS 16 did not change lessor accounting. It only introduced limited changes such as regarding definition of a lease, guidance on sale-and-leaseback arrangements and sub-leasing, disclosure requirements, and lease modifications.

Effective for annual periods beginning on or after January 1, 2018:

• Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

• PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement and all previous version of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The PFRS 9 requirements did not have significant impact on the Company's financial statements.

The Company has adopted PFRS 9 effective January 1, 2018 using the modified retrospective approach. The Company has not restated the comparative information, which continued to be reported under PAS 39. Adjustments arising from the adoption of PFRS 9 have been recognized in the retained earnings as of January 1, 2018.

(a) Classification and Measurement

Under PFRS 9, debt financial assets are classified and measured at fair value through profit or loss (FVPL), amortized cost (AC), or fair value through other comprehensive income (FVOCI). The classification is based on the Company’s business model for managing the financial assets; and whether the financial instrument's contractual cash flows represent "solely payments of principal and interests" or "SPPI" on the principal amount outstanding.

The assessment of the Company's business model was made as at January 1, 2018. The assessment of whether the instruments' contractual cash flows are SPPI was made based on the facts and circumstances as at the initial recognition of the financial assets.

The classification and measurement requirements of PFRS 9 did not have significant on the Company's financial statements. Cash, lease and loans receivables as at December 31, 2018 under PAS 39 are held to collect contractual cash flows and give rise to cash flows that are SPPI. Accordingly, these "Financial Assets at Amortized costs" starting January 1, 2018.

The Company's financial liabilities which include accounts payable accrued expenses (excluding provisions and statutory liabilities) remained to be classified at amortized costs upon transition.

(b) Impairment

The adoption of PFRS 9 has fundamentally changed the Company's measurement of impairment losses for its financial assets - from PAS 39's incurred loss approach to a forward-looking expected credit losses (ECL) approach. Under PFRS 9, the Company is required to provide ECL for financial assets at AC, FVOCI and contract assets. The allowance is based on the ECLs associated wit the risk of default in the next twelve months unless there has been a significant increase in credit risk since origination or the financial assets are impaired where lifetime ECL is provided.

Upon the adoption of PFRS 9, the Company assessed that its balances with banks and receivable counterparties, are considered low credit risk financial assets as of January 1, 2018. Furthermore, as these financial assets are primarily repayable on demand, the Company assessed that the impact of recognizing 12-month ECL for these financial assets is not significant.

• PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 supersedes PAS 11, Construction Contracts, IAS 18, Revenue and Related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitle in exchange for transferring goods or services to a customer. In addition, guidance on interest and dividend income have been moved from PAS 18 to PFRS 9 without significant changes to requirements.

The adoption of PFRS 15 has no significant impact to the Company as its revenue is mostly derived from interest income on financial assets (scoped in under PFRS 9).

• Amendments to PAS 40, *Investment Property, Transfer of Investment Property*

• Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 22, Foreign Currency Transaction and Advance Consideration

Significant Accounting Policies

Foreign Currency Translations - Transactions and Balances

Transactions in foreign currencies are translated to Philippine peso at exchange rates at dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are restated to the Philippine peso at the exchange rate at that date.

Cash

Cash includes cash on hand and in banks.

Company's cash in banks earn interest at prevailing interest rate.

Fair Value Measurement

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 measurements is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that the market participants would use when pricing the asset or liability, assuming 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 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 each reporting date.

External and internal appraisers are involved for valuation of significant nonfinancial assets, such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained in Note 4.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition
Financial instruments are any contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

All financial instruments are initially recognized at fair value. Except for financial instruments at FVPL, initial measurement of financial instruments includes transaction costs.

'Day 1' difference
Where the transaction price is a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Fund recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss unless it qualifies for recognitions as some other type of asset. In cases where fair value is determined using data which is not observable, the difference between the transactions price and model value is only recognized in profit or loss when the inputs when the inputs become observable or when the instrument is derecognized. For each transaction, the Fund determines the appropriate method of recognizing the 'Day 1' difference amount.

Initial recognition and classification of financial assets
All financial instruments are initially recognized at fair value, except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial instruments includes transaction costs.

Subsequent to initial recognition, the Company may reclassify its financial assets only when there is a change in its business model for managing these financial assets. Reclassification of financial liabilities is not allowed.

Business model
The Company determines its business model at the level that the best reflects how it manages groups of financial assets to achieve its business objective. The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios.

SPPI test
As a second step of its classification process the Company assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test or SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrange are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Fund applies judgement and considers relevant factors such as the currency in which the financial assets is denominated and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risk or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI on the amount outstanding. In such cases, the financial asset is required to be measure at FVPL.

As at December 31, 2019, the Company has no financial instruments at FVOCI.

Cash
The Cash in the Statements of Financial Position includes cash on hand and in banks.

Loans and receivables
The Loans and receivables in the Statements of Financial Position includes finance lease receivables, loans receivables and other receivables.

The 'Loans and receivables' are non-derivative financial asses with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are financial assets for which the Company may not cover substantially all its initial investment, other than because of deterioration.

After initial measurement, loans and receivables are subsequently measure at amortized cost using the effective interest method, less any allowance for impairment loss. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate (EIR).

Derecognition of Financial Assets and Liabilities

Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:
• the rights to receive cash flows from the asset have expired;
• the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
• the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control over the asset.

Where the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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

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.

Policies applicable beginning January 1, 2018

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

For loans and lease receivables, the Company applies a simplified approaching calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on a 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.

Impairment of Financial Assets

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

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

Loans and receivables

Loans and receivables are individually assessed for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognized in the statements of comprehensive income. Interest income continues to be accrued on the reduces carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Loans and receivables , together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss in increased or reduced by the adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to the 'Miscellaneous income' in the statement of comprehensive income.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If an asset has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, loans and receivables are grouped on the basis of such credit risk characteristics as loan type, past-due status and term.

Future cash flows in a group of loans and receivables that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, property prices, payment status, or other factors that are indicative incurred losses in the Company and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimated and actual loss experience.

Property and equipment

Property and equipment which includes condominium unit, furniture, fixtures and equipment and transportation equipment is stated at cost less accumulated depreciation, and allowance for impairment losses, if any.

The initial cost of property and equipment consists of its purchase price, including import duties and non-refundable purchase taxes after deducting trade discounts and rebates, and any costs that are directly attributable to the location and condition necessary for it to be capable of operating in the manner intended by management.

Expenditures incurred after the property and equipment 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 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 commences when the asset is available for its intended use and is computed using the straight-line method over the estimated useful lives of the property, plant and equipment as follows:

	Years
Condominium unit	25
Furniture, fixtures and equipment	3 to 5
Transportation equipment	5

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

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

Investment Properties

Investment properties, such as land, are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of asset given up. Foreclosed properties are classified under 'Investment properties' upon either:

- entry of judgment in case of judicial foreclosure;
- execution of sheriff's certificate of sale in case of extra-judicial foreclosure; or
- notarization of the deed of dacion en payment in kind (dacion en pago).

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are charged against current operations in the year in which the costs are incurred.

Subsequent to initial recognition, investment properties are stated at cost less any impairment in value.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of comprehensive income under 'Gain on sale of an investment property' in the period of retirement or disposal.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation and commencement of an operating lease to another party. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

For transfers from investment property to owner-occupied property, the deemed cost of property for subsequent accounting is its depreciated cost at the date of change in use. If the property occupied by the Company as an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under 'Property and equipment' up to the date of change in use.

Impairment of Non-financial Assets

At each reporting date, the Company assesses whether there is an indication that its nonfinancial assets (e.g., property and equipment and investment properties) may be impaired. If any such indication exists or when an annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs. Where the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the asset (or cash generating unit) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash generating unit). In determining fair value less costs to sell, an appropriate valuation model is used. An impairment loss is charged against operations in the period in which it arises.

At each reporting date, an assessment is made as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized as a credit in the statement of comprehensive income. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Revenue Recognition

Prior to January 1, 2018, under PAS 18, Revenue, 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 the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Upon adoption of PFRS 15 beginning January 1, 2018, revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Company has concluded that it is the principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Lease income
The excess of aggregate lease rentals plus the estimated residual value over the cost of the leased equipment constitutes the unearned lease income. Residual values represent estimated proceeds from the disposal of equipment at the time the lease is terminated. The unearned lease income is amortized over the term of the lease, commencing on the month the lease is executed, using the effective interest method.

Interest income on cash in banks
Interest income on cash in banks are recognized as interest accrues, taking into account the effective yield on the asset.

Service charges and fees
Service charges and fees are recognized when earned or accrued when there is a reasonable degree to its collectability.

Expense Recognition

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

Leases

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

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

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

Company as lessee
PFRS 16 Leases, which was effective on January 1, 2019, requires recognition of "right-of-use" asset, and corresponding recognition of corresponding liability to pay rentals (lease liability).

The Company is not a lessee in 2019 and 2018. Management does not expect the Company to be a lessee in the future.

Company as lessor
For a lessor, PFRS 16 did not change lessor accounting.

When assets are leased out under a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned lease income. Lease payments are applied against the principal and unearned lease income. The lease payments applied against unearned lease income are included in 'Leasing income' using the effective interest method.

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Lease income on operating lease is recognized over the term of the lease on a straight-line basis. Initial direct costs incurred in negotiating 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. Contingent rents are recognized as revenue in the period in which they are earned.

Retirement Benefits

The Company has a non-contributory defined benefit plan. 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.

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non- routine settlements are recognized as expense in profit or loss. 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 profit or loss.

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 other comprehensive income (OCI) in the period in which they arise.

Remeasurements are not reclassified to profit or loss in subsequent periods.

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

Income Taxes

Provision for income taxes for the year comprise current and deferred tax. Income tax is determined in accordance with tax laws and is recognized in the statement of comprehensive income.

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

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and any unused tax losses. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

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

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are applicable 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.

Deferred tax relating to items recognized directly in equity is also recognized in equity and in the statement of comprehensive income.

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

Equity

Capital stock is measured at par value for all shares issued and outstanding. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax. The subscribed capital stock is reported in equity less the related subscription receivable not collectible currently.

Deficit represents accumulated losses of the Company.

Treasury Shares

Treasury shares are recorded at cost and are presented as a deduction from equity. Any consideration paid or received in connection with treasury shares are recognized directly in equity.

When the shares are retired, the capital stock account is reduced by its par value. The excess of cost over par value upon retirement is debited to the following accounts in the order given: (a) additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued, and (b) retained earnings. When shares are sold, the treasury share account is credited and reduced by the weighted average cost of the shares sold. The excess of any consideration over the cost is credited to additional paid-in capital.

Transaction costs incurred such as registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties (net of any related income tax benefit) in relation to issuing or acquiring the treasury shares are accounted for as reduction from equity, which is disclosed separately.

No gain or loss is recognized in the statement of comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and 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. These are recorded in 'Provision for credit and impairment losses' in the statement of comprehensive income.

Contingencies

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

Subsequent Events after the Reporting Date

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

3. Significant Accounting Judgments and Estimates

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

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

Estimates

a. *Credit losses on loans and receivables*
The Company reviews its loans and receivables at least on an annual basis to assess whether an allowance for credit losses should be recorded in the statement of comprehensive income.

Beginning January 1, 2018
The Company uses a provision matrix to calculate ECLs for financial assets. The provision matrix is initially based on the Company's historical observed default rates.

The Company adjusts the historical credit loss experience for forward-looking information, if any. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward- looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowance against individually significant loans and receivables, the Company also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the credit quality of the loan or investment since it was granted or acquired. The determination of credit quality takes into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

b. *Impairment of nonfinancial assets*

The Company assesses impairment on property and equipment and investment properties whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount exceeds its recoverable amount. The recoverable amount is computed using either the value in use approach or fair value less costs to sell. Recoverable amounts are estimated for individual assets or if it is not possible, for the cash-generating unit to which the asset belongs.

As of December 31, 2019 and 2018, the carrying values of property and equipment and investment properties are disclosed in Notes 9 and 10.

c. *Present value of retirement obligation*
The cost of defined benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on plan assets, future salary increases and mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

The expected rate of return on plan assets was based on the market prices prevailing on that date applicable to the period over which obligation is to be settled. The salary projection rate was based on the historical trend of salary increase rate of the Company. The mortality rate was based on 2001 Commissioners Standard Ordinary table. The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as at the reporting dates.

The present value of the retirement obligation and fair value of plan assets are disclosed in Note 13.

e. *Recognition of deferred income taxes*
The Company reviews the carrying amount of deferred tax assets at each reporting date and reduces it to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The unrecognized deferred tax assets on temporary differences of the Company are disclosed in Note 15.

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

As of December 31, 2019 and 2018, management assessed that there is no significant accounting judgement exercised in respect to the preparation of the financial statements.

4. Fair Value Measurement

The methods and assumptions used by the Company in estimating the fair value of the assets and liabilities are:

Cash on hand and in banks, and other receivables under 'Loans and receivables'
- carrying amounts approximate fair values in view of the short-term maturities of these instruments. The loans and receivables have maturities not exceeding six months as of December 31, 2019.

Finance lease receivables and receivables financed under 'Loans and receivables'
- fair values are estimated using the discounted cash flow methodology, using risk-free rates as of year-end adjusted for the risk of uncollectibility inherent to the Company's borrowers. Discount rates used in determining fair value ranged from 3.05% to 3.36% and from 5.02% to 7.37% in 2019 and 2018, respectively.

Accounts payable and other accrued expenses
- carrying amounts approximate fair values given the short-term nature of the liabilities.

As of December 31, 2019 and 2018, the fair value hierarchy of the Company's assets and liabilities for which fair value is disclosed is presented below:

	2019									
		Carrying Value		Level 1		Level 2		Level 3		Total Fair Value
Assets										
Loans and receivables										
Finance lease receivables	**P**	**7,024,114**	**P**	**-**	**P**	**-**	**P**	**7,541,183**	**P**	**7,541,183**
Loans receivables		**29,070**		**-**		**-**		**29,070**		**29,070**
Investment properties		**12,247,210**		**-**		**-**		**20,609,184**		**20,609,184**

	2018									
		Carrying Value		Level 1		Level 2		Level 3		Total Fair Value
Assets										
Loans and receivables										
Finance lease receivables	P	9,403,533	P	-	P	-	P	10,549,381	P	10,549,381
Loans receivables		586,731		-		-		615,202		615,202
Investment properties		12,495,470		-		-		20,617,730		20,617,730

The table below summarizes the valuation techniques used and the significant unobservable inputs to valuation for each type of investment properties held by the Company:

	Valuation technique	Significant unobservable inputs
Land	Market Approach	Size, location, shape and time element

The market data approach is a comparable method wherein the value of the property is based on sales and listings of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property. Comparison would be premised on the factors of location, size and shape of the lot, and time element.

There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements in 2019 and 2018.

5. Financial Risk Management Objectives and Policies

Integral to the Company's business process is risk management. The Company operates an integrated risk management system to address the risk it faces in its financial activities particularly credit risk, market risk and liquidity risk. Exposures across these risks areas are regularly identified, measured, controlled and monitored and reported to the Board of Directors (BOD). The BOD directs the Company's overall risk management strategy and performs an oversight function on the Company's implementation of its risk policies. Furthermore, the BOD reviews, approves and ensures effective implementation of the risk management framework. It approves risk-related policies, oversees limits to discretionary authority that delegates to management and evaluate the magnitude, distribution and direction of risk in the Company.

Credit Risk

Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company drives credit risk management fundamentally via its credit policy system, the provisions of which are regularly reviewed and updated to reflect changing risk conditions. The credit policy system defines the principles and parameters governing credit activities, ensuring that each account's credit worthiness is thoroughly examined and regularly reviewed.

Management of credit risk
The Company faces potential credit risks every time it extends loans to borrowers and enters to finance lease transactions.

Exposure to credit risk is managed through regular analysis of the ability of the borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits when appropriate.

Offsetting of financial assets and liabilities
As at December 31, 2019 and 2018, the Company has no financial assets with rights to offset in accordance with Amendments to PAS 32, Financial Instruments - Offsetting Financial Assets and Financial Liabilities. There are also no financial instruments that are subject to an enforceable master netting arrangements or similar agreements which require disclosure in the financial statements in accordance with PFRS.

Maximum exposure to credit risk after taking into account the collateral and credit enhancements
The table below shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown net, after taking into account collateral or credit enhancements.

	2019			
	Maximum credit exposure	**Fair value of collateral**	**Net exposure**	**Financial effect of collateral or credit enhancement**
Finance lease receivables	**P 7,024,114**	**P 10,495,000**	**P -**	**P 7,024,114**

	2018			
	Maximum credit exposure	Fair value of collateral	Net exposure	Financial effect of collateral or credit enhancement
Finance lease receivables	P 10,036,967	P 17,199,719	P -	P 10,036,967

The Company does not hold collateral on its other financial assets. Hence, the carrying values of those financial assets best represent the maximum exposure to credit risk.

Concentration of risks of financial assets with credit risk exposure
An analysis of concentration of credit risk as at reporting date is shown below:

	2019			
	Cash in banks	**Loans and receivables**	**Other current assets**	**Total**
Financial institutions	**P 12,810,890**	**P 29,070**	**P -**	**P 12,839,960**
Education	**-**	**7,063,471**	**-**	**7,063,471**
Information technology	**-**	**-**	**-**	**-**
Other community, social and personal service activities	**-**	**386,597**	**1,000**	**387,597**
	12,810,890	**7,479,138**	**1,000**	**20,291,028**
Less: Allowance for credit losses	**-**	**(181,039)**	**-**	**(181,039)**
Total	**P 12,810,890**	**P 7,298,099**	**P 1,000**	**P 20,109,989**

	2018			
	Cash in banks	Loans and receivables	Other current assets	Total
Financial institutions	P 10,974,893	P 297,562	P -	P 11,272,455
Education	-	8,818,271	-	8,818,271
Information technology	-	266,960	-	266,960
Other community, social and personal service activities	-	732,530	1,000	733,530
	10,974,893	10,115,323	1,000	21,091,216
Less: Allowance for credit losses	-	(125,059)	-	(125,059)
Total	P 10,974,893	P 9,990,264	P 1,000	P 20,966,157

Credit quality per class of financial assets
The credit quality of financial assets is monitored and managed based on the credit standing and history.

High grade - These are bank deposits, receivables or advances which have a high probability of collection. The counterparty has the apparent ability to satisfy its obligation and the securities on the receivables are readily enforceable.

Standard grade - These are bank deposits, receivables or advances where collections are probable due to the reputation and the financial ability of the counterparty to pay but with experience of default.

Not rated - Entities for which there is no established credit rating.

The tables below show the credit quality per class of asset for loan-related assets, gross of allowance for credit losses and unearned income (excluding residual value of leased equipment):

	2019				
	Neither past due nor impaired				
	High grade	**Standard grade**	**Past due but not impaired**	**Impaire d**	**Total**
Cash in banks	**P 10,944,893**	**P -**	**P -**	**P -**	**P 10,944,893**
Loans and receivables					
Finance lease receivable	**-**	**4,728,333**	**2,706,185**	**-**	**7,434,518**
Loans receivables	**-**	**-**	**29,070**	**-**	**29,070**
Other current assets					
Security deposits	**1,000**	**-**	**-**	**-**	**1,000**
	P 10,945,893	**P 4,728,333**	**P 2,735,255**	**P -**	**P 18,409,481**

	2018				
	Neither past due nor impaired				
	High grade	Standard grade	Past due but not impaired	Impaired	Total
Cash in banks	P 10,944,893	P -	P -	P -	P 10,944,893
Loans and receivables					
Finance lease receivables	5,254,340	4,896,332	-	-	10,150,672
Loans receivables	594,767	-	-	-	594,767
Other current assets					
Security deposits	1,000	-	-	-	1,000
	P 16,795,000	P 4,896,332	P -	P -	P 21,691,332

As of December 31, 2019, the Company's loans and receivables are classified as Stage 1.

Carrying amount per class of finance and lease receivables which terms have been renegotiated
Restructured receivables have principal terms and conditions that have been modified in accordance with an agreement setting forth a new plan of payment or a schedule of payment on a periodic basis. When the receivable account becomes past due and is being restructured or extended, the approval of the BOD is required before loan restructuring. No finance lease contracts were restructured as of December 31, 2019 and 2018.

<u>Market Risk</u>

Market risk is defined as the risk of loss arising from fluctuations in values of financial assets and liabilities (including off-balance sheet items) due to fluctuations in market risk factors (interest rates, foreign exchange rates, prices of securities and others).

As of December 31, 2019 and 2018, the Company's interest-bearing financial assets and liabilities have fixed interest rates. As such, the Company's exposure to interest rate risk is minimal.

<u>Liquidity Risk</u>

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

Liquidity risk is managed by the Company through holding sufficient liquid assets and appropriate assessment to ensure short-term funding requirements are met and by ensuring the high collection performance at all times. In addition, the Company maintains sufficient liquid assets to take advantage of favorable investment opportunities when it arises.

Analysis of financial assets and liabilities by remaining contractual maturities
The tables below summarize the maturity profile of the Company's financial assets and liabilities on contractual undiscounted repayment obligations.

	2019					
			Due within			
	On demand	1 month	1 to 3 months	3 to 12 months	Beyond 1 year	Total
Financial Assets						
Cash in banks	**P 10,944,893**	**P -**	**P -**	**P -**	**P -**	**P 10,944,893**
Loans and receivables						
Finance lease receivables	**2,706,185**	**846,667**	**2,540,001**	**1,341,665**	**-**	**7,434,518**
Loans receivables	**29,070**	**-**	**-**	**-**	**-**	**29,070**
Total Financial Assets	**P 13,680,148**	**P 846,667**	**P 2,540,001**	**P 1,341,665**	**P -**	**P 18,408,481**
Financial Liabilities						
Accounts payable and other accrued expenses	**P 177,522**	**P 141,210**	**P -**	**P -**	**P**	**P**

	2018					
			Due within			
	On demand	1 month	1 to 3 months	3 to 12 months	Beyond 1 year	Total
Financial Assets						
Cash in banks	P 10,944,893	P -	P -	P -	P -	P 10,944,893
Loans and receivables						
Finance lease receivables	-	1,428,065	4,260,715	4,461,893	-	10,150,673
Loans receivables	-	120,737	270,540	203,490	-	594,767
Total Financial Assets	P 10,944,893	P 1,548,802	P 4,531,255	P 4,665,383	P -	P 21,690,333
Financial Liabilities						
Accounts payable and other accrued expenses	P -	P -	P -	P -	P -	P -

6. Cash

This account consists of:

		2019		2018
Cash on hand	**P**	**30,000**	P	30,000
Cash in banks (Note 18)		**12,810,976**		10,944,893
	P	**12,840,976**	P	10,974,893

Cash on hand pertains to the fund maintained on an imprest system to defray minimal disbursements.

Cash in banks earned annual interest rates ranging from 0.25% to 0.50% in 2019 and 2018. Interest income recognized from cash in banks amounted to P323,562 and P20,540 in 2019 and 2018, respectively.

7. Loans and Receivables

This account consists of:

		2019		2018
Finance lease receivables	**P**	**7,434,519**	P	10,150,673
Loans receivables		**29,070**		594,767
Other receivables		**15,550**		-
Unearned lease income		**(229,366)**		(630,117)
		7,249,773		10,115,323
Allowance for credit losses		**(181,039)**		(125,059)
	P	**7,068,734**	P	9,990,264

Finance lease receivable bear effective interest rates ranging from 15.35% to 22.24% and 15.35% to 22.98% in 2019 and 2018, respectively. For loans receivable, the effective interest rate in 2018 is 14.63% extending towards 14.63% to 17.97% in 2019.

Loans and receivables are due in monthly installments with terms ranging from less than to one (1) year for lease receivables and one (1) to five (5) years for loans receivables.

An analysis of the Company's finance lease receivables as of December 31, 2019 and 2018 is presented as follows:

		2019		2018
Due within one year	**P**	**7,434,519**	P	10,150,673
Finance lease receivables		**7,434,519**		10,150,673
Unearned income		**(229,366)**		(630,117)
		7,205,153		9,520,556
Allowance for credit losses		**(181,039)**		(125,059)
		7,024,114		9,395,497

An analysis of the minimum lease payments as of December 31, 2019 and 2018 is presented as follows:

		2019		
		Not later than 1 year	Later than 1 year and less than 5 years	Total
Minimum lease payments	P	**7,434,519**	P **-**	P **7,434,519**
Residual value of leased assets		**-**	**-**	**-**
Gross investment in finance lease receivables		**7,434,519**	**-**	**7,434,519**
Unearned lease income		**(229,366)**	**-**	**(229,366)**
		7,205,153	**-**	**7,205,153**
Allowance for credit losses		**(181,039)**	**-**	**(181,039)**
Net investment in finance lease receivables		**7,024,114**	**-**	**7,024,114**

		2018		
		Not later than 1 year	Later than 1 year and less than 5 years	Total
Minimum lease payments	P	9,855,038	P -	P 9,855,038
Residual value of leased assets		295,635	-	295,635
Gross investment in finance lease receivables		10,150,673	-	10,150,673
Unearned lease income		(606,819)	-	(606,819)
		9,543,854	-	9,543,854
Allowance for credit losses		(125,059)	-	(125,059)
Net investment in finance lease receivables		9,418,795	-	9,418,795

As of December 31, 2019 and 2018, finance lease receivables include loan transactions with related parties amounting to P0 (nil) and P0.5 million, respectively (see Note 18).

Movements in the allowance for credit losses follow:

	2019	2018
	Finance lease	Finance lease
Balance at beginning of year	**P 125,059**	P 298,204
Provisions during the year	**55,980**	998
Reversal during the year	**-**	(174,143)
Balance at end of year	**181,039**	125,059
Collective Impairment	**P 181,039**	P 125,059

As of December 31, 2019 and 2018, the Company has no specifically impaired loans and receivables.

Section 9(f) of RA No. 8556 requires that a 100.00% allowance for credit losses should be set up for the following:

a. Clean loans and advances past due for a period of more than six (6) months;

b. Past due loans secured by collateral such as inventories, receivables, equipment and other chattels that have declined in value by more than 50.00%, without the borrower offering additional collateral for the loans;
c. Past due loans secured by real estate mortgage title to which is subject to an adverse claim rendering settlement through foreclosure doubtful;
d. When borrower and his co-maker or guarantor, are insolvent or where their whereabouts are unknown, or their earnings power is permanently impaired;
e. Accrued interest receivable that remain uncollected after six months from the maturity date of such loans to which it accrues; and
f. Accounts receivable past due for 361 days or more.

As of December 31, 2019 and 2018, the Company's allowance for credit losses for loans and receivables is in compliance with the requirements of RA No. 8556.

Interest income from loans and receivables in the statement of comprehensive income amounts to P1.34 million and P1.98 million in December 31, 2019 and 2018, respectively.

8. Other Assets

This account consists of:

		2019		2018
Prepaid expenses (Note 18)	**P**	**52,311**	P	197,450
Prepaid tax		**5,558**		-
Security deposits		**1,000**		1,000
	P	**58,869**	P	198,450

Prepaid expenses consist of unexpired life and property insurance.

9. Property and Equipment

The compositions of and movements in this account are as follows:

		2019						
		Condominium Unit		Furniture, Fixtures and Equipment		Transportation Equipment		Total
Cost								
Balance at beginning of year	P	2,788,500	P	250,250	P	899,020	P	3,937,770
Balance at end of year		2,788,500		250,250		899,020		3,937,770
Accumulated Depreciation								
Balance at beginning of year		1,079,935		249,826		898,440		2,228,201
Depreciation		111,540		-		-		111,540
Balance at end of year		1,191,475		249,826		898,440		2,339,741
Allowance for Impairment Losses		848,744		-		-		848,744
Net Book Value	P	748,281	P	424	P	580	P	749,285

		2018						
		Condominium Unit		Furniture, Fixtures and Equipment		Transportation Equipment		Total
Cost								
Balance at beginning of year	P	2,788,500	P	250,250	P	899,020	P	3,937,770
Balance at end of year		2,788,500		250,250		899,020		3,937,770
Accumulated Depreciation								
Balance at beginning of year		968,395		249,826		898,440		2,116,661
Depreciation		111,540		-		-		111,540
Balance at end of year		1,079,935		249,826		898,440		2,228,201
Allowance for Impairment Losses		848,744		-		-		848,744
Net Book Value	P	859,821	P	424	P	580	P	860,825

10. Investment Properties

Investment properties include land that the Company acquired via foreclosure from finance lease receivables.

The movements in this account follow:

		2019		2018
Cost				
Balance at beginning of year	**P**	**12,495,470**	P	16,419,577
Loss on write-off of assets		**-**		(373,238)
Impairment		**-**		(3,550,869)
Balance at end of year		**12,495,470**		12,495,470
Allowance for Impairment Losses				
Balance at beginning of year		**-**		3,550,869
Provision		**248,260**		-
Loss on write-off		**-**		(3,550,869)
Balance at end of year		**248,260**		-
Net Book Value at End of Year	**P**	**12,247,210**	P	12,495,470

The Company annually reviews the recoverable amount of investment properties. Several factors such as real estate prices and physical condition of the properties are considered in determining recoverable amount. The aggregate market value of the investment properties amounted to P20.61 million and P20.62 million as of December 31, 2019 and 2018. In 2018, the Company offset the allowance for impairment losses amounting to P3.56 million against the cost of properties to write down the assets at net realizable values.

11. Accounts Payable and Other Accrued Expenses

This account consists of:

		2019		2018
Accrued other expenses payable	**P**	**166,574**	P	629,722
Accounts payable		**166,331**		163,344
Accrued taxes		**8,165**		24,769
Other liabilities		**13,494**		5,436
	P	**354,564**	P	823,271

Accrued other expenses payable pertains to accruals for various operating expenses such as management and professional fees, honorarium, and other various expenses.

Accrued taxes consist of withholding tax payable and percentage tax payable.

12. Equity

Common and Treasury Stocks

Details of the Company's capital stock as of December 31, 2019 and 2018 are as follows:

	No. of Shares		**Amount**
Common stock - P1,000 par value			
Authorized and issued	42,500	P	42,500,000
Held in treasury	(2,778)		(2,901,307)
Outstanding	39,722		39,598,693

In 2013, 2,778 shares were received by the Company as settlement of an outstanding loan due from a stockholder. These shares were held in treasury at a cost of P2.90 million.

The table below summarizes the source of capital of the Company:

		2019		2018
Capital stock	**P**	**42,500,000**	P	42,500,000
Retained earnings (Deficit)		**(7,533,945)**		(6,571,824)
	P	**34,966,055**	P	35,928,176

Capital Management

The primary objectives of the Company's capital management are to ensure that it complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and maximize stockholders' value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payments to stockholders, return capital structure, or issue capital shares.

No changes were made in the objectives, policies and processes from the previous year.

Under RA No. 8556, the Company has complied with the minimum paid-up capital of P10 million. The Company has no branches that require additional capital.

13. Retirement Plan

The Company, CARD MRI Development Institute, Inc. (CMDI), CARD Mutual Benefit Association (MBA), Inc., CARD SME Bank, Inc., CARD MRI Insurance Agency (CAMIA), Inc., CARD Business Development Service Foundation, Inc. (BDSFI), Inc., CARD MRI Information Technology, Inc. (CMIT), CARD Rural Bank, Inc. (CBI), BotiCARD Inc., CARD Leasing and Finance Corporation (CLFC), Rizal Bank, Inc. (RBI), CARD, Inc. and Mga Likha ni Inay Inc. (MLNI), 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 Cooperative and its related parties.

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

Hybrid Plan provides a retirement benefit equal to 100% of the member's employer accumulated value (the Cooperative'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 o credited service.

The retirement plan is administered by the CARD MRI's Retirement Trust Fund, which acts as the trustee of the plan. Under this retirement plan, all covered employees are entitled to cash benefits after satisfying certain age and service requirements. The latest actuarial valuation report of the retirement plan, performed by an independent third party, was made on December 31, 2019.

The Company's annual contribution to the retirement plan consists of a payment covering the current service cost, unfunded actuarial accrued liability and interest on such funded actuarial liability.

The principal actuarial assumptions used in determining the retirement liability as of December 31, 2019 and 2018 are shown below:

	2019	2018
Discount rate		
January 1	7.09%	5.81%
December 31	4.26%	7.09%
Salary increase rate	5.00%	5.00%

The average duration of the defined benefit obligation is 4.8 years and 5.6 years at the end of 2019 and 2018, respectively.

The amounts included in the statement of comprehensive income follows:

		2019		2018
Current service cost	**P**	**56,430**	P	53,937
Net Interest expense (income)		**1,036**		(1,922)
Balance at end of year	**P**	**57,466**	P	52,015

The retirement liability recognized in the statement of financial position follow:

		2019		2018
Present value of retirement obligation	**P**	**1,004,620**	P	759,661
Fair value of plan assets		**(779,385)**		(745,056)
Net retirement liability		**225,235**		14,605
Effect of asset ceiling		**-**		-
Net retirement liability	**P**	**225,235**	P	14,605

The movements in the present value of obligation (PVO) follow:

		2019		2018
Balance at beginning of year	**P**	**759,661**	P	684,072
Current service cost		**56,430**		53,937
Interest cost		**53,860**		39,745
Actuarial gains		**134,669**		(18,093)
Balance at end of year	**P**	**1,004,620**	P	759,661

The movements in the fair value of plan assets follow:

		2019		2018
Balance at beginning of year	P	**745,056**	P	719,084
Interest income		**52,824**		41,779
Return on plan assets		**(18,495)**		(15,807)
Balance at end of year	P	**779,385**	P	745,056

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

	December 31, 2019		
	Possible fluctuations		Increase (decrease)
Discount rate			
	+1%	P	(46,660)
	-1%		49,651
Salary increase rate			
	+1%		48,811
	-1%		(46,773)

As of December 31, 2019, the expected amount of benefit payments for more than 5 to 10 years as determined by the Company's actuary amounted to P1.25 million.

As of December 31, 2019 and 2018, the major categories of plan assets at their carrying and fair values follow:

	2019			2018		
		Amount	**%**		Amount	%
Cash and cash equivalents	**P**	**635,043**	**81.48%**	P	330,954	44.42%
Debt instruments- government bonds		**27,980**	**3.59%**		356,584	47.86%
Loans and receivables		**90,097**	**11.56%**		16,391	2.20%
Investment in mutual funds		**4,442**	**0.57%**		-	-
Other assets		**21,823**	**2.80%**		41,127	5.52%
Fair value of plan assets	**P**	**779,385**	**100.00%**	P	745,056	100.00%

14. Other Income

This account consists of:

		2019		2018
Reversal of accrued expense	P	**273,467**	P	-
Others		**15,039**		259,840
	P	**288,506**	P	259,840

15. Cost of Services

This account consists of:

		2019		2018
Salaries and employee benefits	**P**	**858,813**	P	723,651
Depreciation expense		**111,540**		111,540
	P	**970,353**	P	835,191

16. Miscellaneous Expense

This account consists of:

		2019		2018
Stationaries and office supplies	**P**	**112,082**	P	120,005
Utilities		**27,611**		28,747
Repairs and maintenance		**25,958**		24,493
Association dues		**25,635**		20,787
Others		**45,194**		135,881
	P	**236,480**	P	329,913

Others include expenses in information technology, periodicals and magazines, notary fees, bank charges, and other expenses.

17. Income Taxes

Current tax regulations further provide that the RCIT rate shall be 30.00%. In addition, the allowable interest expense shall be reduced by an amount equivalent to 33.00% of interest income subjected to final tax.

Final tax represents 20.00% final withholding tax on gross interest income earned from demand savings account, short-term placements and other deposit substitutes. An MCIT of 2.00% on modified gross income is computed and compared with the RCIT. Any excess of the MCIT over the RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, NOLCO is allowed as a deduction from taxable income in the next three years from the date of inception.

Under Philippine tax laws, the Company is subject to percentage and other taxes (presented as ‘Taxes and licenses’ in the statements of comprehensive income). Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp taxes.

Current tax regulations also provide for the ceiling on the amount of entertainment, amusement and representation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company like the Company is limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue. EAR expenses (included under 'Others' in the statement of comprehensive income) amounted to nil in 2019 and 2018.

Excess of tax base over financial reporting base of investment properties amounted to P1.07 million equal to amount written-off.

As of December 31, 2019, deferred tax assets pertains to the following were provided with full valuation allowance since the management believes that it is not probable that sufficient taxable income will be available against which these benefits can be utilized:

		2019		2018
NOLCO	**P**	**674,895**	P	859,085
Allowance for credit and impairment losses		**54,312**		37,518
Excess MCIT over RCIT		**55,976**		65,282
Retirement liability		**67,571**		4,382
		852,753		966,266
Less: Valuation allowance		**(843,513)**		-
		-		966,266

Details of NOLCO for the Company are as follows:

Year		Amount		Applied		Expired		Balance	Expiry Year
2019	P	1,003,864	P	-	P	-	P	1,003,864	2022
2018		930,985		-		-		930,985	2021
2017		314,801		-		-		314,801	2020
2016		2,106,732		-		2,106,732		-	2019
	P	4,356,382	P	-	P	2,106,732	P	2,249,650	

Details of the unexpired MCIT follows:

Year		Amount		Applied		Expired		Balance	Expiry Year
2019	P	13,178	P	-	P	-	P	13,178	2022
2018		24,215		-		-		24,215	2021
2017		23,910		-		-		23,910	2020
	P	61,303	P	-	P	-	P	61,303	

Reconciliation between accounting income and taxable income is presented below:

Income tax due under RCIT:

		2019		2018
Accounting income	**P**	**(1,042,008)**	P	(774,362)
Permanent differences:				
Interest income subject to final tax		**(323,562)**		(20,540)
Non-taxable income		**-**		(189,096)
Temporary differences:				
Provision for impairment		**304,240**		998
Retirement expense		**57,466**		52,015
Taxable income		**(1,003,864)**		(930,985)
Tax rate		**30%**		30%
Total income tax due	**P**	**-**	P	-

Income tax due under MCIT:

		2019		2018
Revenue	**P**	**1,340,751**	P	2,045,946
Cost of services		**(970,353)**		(835,191)
Gross income		**370,398**		1,210,755
Other income		**288,506**		-
Taxable gross income		**658,904**		1,210,755
Tax rate		**2%**		2%
Total income tax due under MCIT	**P**	**13,178**	P	24,215

Income tax payable:

		2019		2018
Income tax due under MCIT	**P**	**13,178**	P	24,215
Less: Tax payments		**(12,652)**		-
Income tax payable	**P**	**526**	P	24,215

The components of current income tax expense is as follows:

		2019		2018
Provision for final tax	**P**	**64,712**	P	4,108
MCIT		**13,178**		24,215
Provision for income tax - current	**P**	**77,890**	P	28,323

18. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Company's related parties include:

- Key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members;
- CARD Inc. (the Parent Company);
- Affiliates or other related parties, which are associated companies, subsidiaries, ventures, including subsidiaries of associates and joint ventures of the ventures.

The Company has several business relationships with related parties.

Transactions with the Retirement Plan
Under PFRS, certain post-employment benefit plans are considered as related parties. The retirement plan of the employees of the Company is being managed and maintained by the CARD MRI's Retirement Trust Fund. The details of the assets of the fund as of December 31, 2019 and 2018 are disclosed in Note 13.

As of December 31, 2019 and 2018, the Company has no transactions with CARD MRI's Retirement Trust Fund.

Transactions with the Key Management Personal and other related parties
The following table presents the balances of transactions with related parties as of and for the years ended December 31, 2019 and 2018:

		December 31, 2019		
Category		Amount/ Volume	Outstanding Balance	Nature, Terms and Condition
Key Management Personnel				
Honorarium	P	155,000		These pertain to amounts given to the BOD when they attend on special or regular meetings.
Leasing income		8,930		These pertain to the leasing income from finance lease receivable.
Prepaid expenses (included under "Other current assets")			52,309	This pertains to payments made to CAMIA and to CPMI for insurance covering key management personnel and transportation vehicle insurance.
Insurance expense		83,341		These pertain to the insurance incurred covering key management personnel and motor car comprehensive insurance during the year.
Salaries and employee benefits		9,160		These pertain to payments made to EMPC for the health premium coverage of its employees for the year.

Category		Amount/ Volume	Outstanding Balance	Nature, Terms and Condition
		December 31, 2018		
Key Management Personnel				
Honorarium	P	119,167		These pertain to amounts given to the BOD when they attend on special or regular meetings.
Finance lease receivables (included under "Loans and receivables)			486,265	These pertain to unsecured lease contracts of CMDI, covering various equipment with annual average effective interest rate ranging from 15.35 % to 15.38%.
Leasing income		202,280		These pertain to the leasing income from finance lease receivable.
Prepaid expenses (included under "Other current assets")			61,626	This pertains to payments made to CAMIA and to CPMI for insurance covering key management personnel and transportation vehicle insurance.
Insurance expense		98,711		These pertain to the insurance incurred covering key management personnel and motor car comprehensive insurance during the year.
Salaries and employee benefits		9,377		These pertain to payments made to EMPC for the health premium coverage of its employees for the year.

Terms and conditions of transactions with related parties

In the ordinary course of the business, the Company enters into service agreements and other transactions with its affiliates. The agreements and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. These transactions also did not involve more than the normal risk of collectability or present other unfavorable conditions. Generally, related party transactions are settled in cash.

Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Company considers the members of the BOD and senior management to constitute key management personnel for purposes of PAS 24, Related Party Disclosures.

Compensation of key management personnel included under ‘Compensation and fringe benefits’ in the statements of comprehensive income follows:

		2019		2018
Short-term employee benefits	**P**	**260,998**	P	518,037
Post-employment benefits		**53,756**		76,841
	P	**314,754**	P	594,878

19. Commitments and Contingencies

In the normal course of the Company's operations, there are contingencies which are not reflected in the accompanying financial statements. The Company does not anticipate material unreserved losses as a result of these transactions.

20. Reclassification of Certain Accounts

In 2019, the Company made the following reclassification of accounts in 2018 to conform with the 2019 presentation.

Nature	Accounts Affected	Before Reclassification	Reclassification	After Reclassification
Cost of Services	Salaries and employee benefits	P -	P 723,651	P 723,651
	Depreciation expense	-	111,540	111,540
Operating Expenses	Retirement expense	-	52,015	52,015

21. 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 25, 2020.

22. Subsequent Events

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being 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.

The Company has determined that these events are non-adjusting subsequent events. Accordingly, the Company's financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the liquidation basis accounting values.

23. Supplementary Information Required Under Revenue Regulations 15-2010

On November 25, 2010, the Bureau of Internal Revenue issued RR 15-2010 to amend certain provisions of RR 21-2002. The Regulations provide that starting 2010, the notes to financial statements shall include information on taxes and licenses paid or accrued during the taxable year.

The Company reported and/or paid the following types of taxes as follows:

a. Taxes and Licenses

		2019
Percentage tax	P	67,038
Permits and licenses		69,387
Real property taxes		23,873
Others		5,959
	P	166,257

b. Withholding Taxes

		2019
Expanded Withholding	P	17,675
Tax on Compensation and benefits		56,960
	P	74,635

c. Tax Assessments and Cases

The Company has no deficiency tax assessments and has not been involved in any tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the Bureau of Internal Revenue.