CARD-Business Development Service Foundation, Inc.
(A Nonstock, Not-for-Profit Organization)

Financial Statements
December 31, 2012 and 2011

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.

COVER SHEET

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SEC Registration Number

CARD-BUSINESS DEVELOPMENT SERVICE FOUNDATION, INC. (A Nonstock, Not-for-Profit Organization)

(Company's Full Name)

20 M.L. Quezon Street, City Subdivision, San Pablo City, Laguna

(Business Address: No. Street City/Town/Province)

Mr. Aristeo A. Dequito

(Contact Person)

(049) 562-4309

(Company Telephone Number)

1 2 | 3 1

Month *Day*

(Fiscal Year)

A A F S

(Form Type)

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Month *Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

SEC

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

Total Amount of Borrowings

Not Applicable

Total No. of Stockholders

₱35.4 million

Domestic

None

Foreign

To be accomplished by SEC Personnel concerned

File Number

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CARD-BUSINESS DEVELOPMENT SERVICE FOUNDATION, INC.
(A Nonstock, Not-for-Profit Organization)

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

	December 31	
	2012	2011
ASSETS		
Current Assets		
Cash (Notes 4 and 17)	**₱16,942,108**	₱10,786,458
Financial asset at fair value through profit or loss (Notes 5 and 17)	**5,588,768**	5,798,605
Current portion of receivables (Note 6)	**23,994,494**	15,120,611
Other current assets (Note 7)	**20,091,976**	12,236,405
Total Current Assets	**66,617,346**	43,942,079
Noncurrent Assets		
Noncurrent portion of receivables (Note 6)	**113,537**	109,518
Equity investments at cost (Notes 9 and 17)	**1,807,500**	1,289,375
Property and equipment (Note 10)	**1,725,161**	29,555,605
Investment in associates (Note 8)	**–**	–
Other noncurrent asset (Note 11)	**3,736,913**	3,640,000
Total Noncurrent Assets	**7,383,111**	34,594,498
	₱74,000,457	₱78,536,577
LIABILITIES AND FUND BALANCE		
Current Liabilities		
Accounts payable and accrued expenses (Notes 12 and 17)	**₱7,664,457**	₱9,688,978
Current portion of project assistance payable (Notes 13 and 17)	**2,500,000**	1,250,000
Total Current Liabilities	**10,164,457**	10,938,978
Noncurrent Liabilities		
Project assistance payable (Notes 13 and 17)	**32,866,857**	35,366,857
Net retirement liability (Note 14)	**8,866,362**	5,777,676
Total Noncurrent Liabilities	**41,733,219**	41,144,533
	51,897,676	52,083,511
Fund Balance	**22,102,781**	26,453,066
	₱74,000,457	₱78,536,577

See accompanying Notes to Financial Statements.

CARD-BUSINESS DEVELOPMENT SERVICE FOUNDATION, INC.
(A Nonstock, Not-for-Profit Organization)

STATEMENTS OF REVENUE AND EXPENSES AND CHANGES IN FUND BALANCE

	Years Ended December 31	
	2012	2011
REVENUES		
Marketing fees (Notes 7 and 17)	**₱17,062,532**	₱17,051,623
Grants (Note 17)	**10,697,754**	10,367,600
Project development (Notes 16 and 17)	**4,392,000**	8,566,900
Administrative fees (Notes 5 and 6)	**1,394,968**	2,181,631
Others (Note 4)	**2,317,282**	2,199,219
	35,864,536	40,366,973
EXPENSES		
Project related expenses (Note 15)	**28,896,392**	31,919,202
Administrative expenses:		
Compensation and employee benefits (Notes 14 and 17)	**4,109,466**	4,862,319
Transportation and travel	**1,298,435**	711,737
Depreciation (Note 10)	**1,163,438**	579,126
Training and development	**860,706**	286,712
Supplies and materials	**835,135**	191,784
Program monitoring and evaluation	**578,094**	855,780
Interest (Note 13)	**457,271**	–
Rental (Notes 16 and 17)	**359,691**	401,486
Seminars and meetings (Note 17)	**344,234**	632,241
Information technology (Note 17)	**236,921**	539,150
Insurance	**203,795**	52,489
Repairs and maintenance	**165,300**	231,170
Management and professional fees	**122,178**	211,723
Utilities	**115,551**	91,124
Communication	**77,513**	81,513
Janitorial, messengerial and security	**52,407**	50,980
Provision for impairment and credit losses (Note 7)	**–**	70,903
Miscellaneous (Note 5)	**338,294**	302,480
	11,318,429	10,152,717
	40,214,821	42,071,919
EXCESS OF REVENUE OVER EXPENSES	**(4,350,285)**	(1,704,946)
FUND BALANCE AT BEGINNING OF YEAR	**26,453,066**	28,158,012
FUND BALANCE AT END OF YEAR	**₱22,102,781**	₱26,453,066

See accompanying Notes to Financial Statements.

CARD-BUSINESS DEVELOPMENT SERVICE FOUNDATION, INC.
(A Nonstock, Not-for-Profit Organization)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	**(₱4,350,285)**	(₱1,704,946)
Adjustments for:		
Retirement expense (Note 14)	**4,473,447**	6,884,600
Depreciation (Note 10)	**3,899,368**	4,982,665
Interest expense (Notes 13 and 17)	**1,829,085**	1,779,592
Provision for impairment and credit losses (Notes 6 and 7)	**769,101**	3,625,441
Interest income on deposits (Notes 4 and 17)	**(507,437)**	(219,564)
Unrealized loss on financial asset at fair value through profit or loss (Note 5)	**209,837**	44,095
Operating income before working capital changes	**6,323,116**	15,391,883
Changes in operating assets and liabilities:		
Decrease (increase) in amount of:		
Receivables	**(9,647,003)**	2,104,851
Other current assets	**(355,571)**	(3,904,600)
Increase (decrease) in amount of accounts payable and accrued expenses	**(2,024,521)**	4,660,121
Net cash flows generated (used in) from operations	**(5,703,979)**	18,252,255
Contributions to the retirement plan (Note 14)	**(1,384,761)**	(395,724)
Interest received	**507,437**	219,564
Net cash flows from (used in) operating activities	**(6,581,303)**	18,076,095
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Note 10)	**(5,495,641)**	(31,964,600)
Equity investments at cost (Note 9)	**(518,125)**	(500,000)
Other noncurrent assets	**(96,913)**	(3,640,000)
Disposals of property and equipment	**29,426,717**	–
Prepaid subscription (Note 7)	**(7,500,000)**	–
Net cash flows from (used in) investing activities	**15,816,038**	(36,104,600)
CASH FLOWS FROM FINANCING ACTIVITY		
Interest paid (Notes 13 and 17)	**(1,829,085)**	(1,779,592)
Project assistance paid (Note 13)	**(1,250,000)**	–
Project assistance received (Note 13)	–	10,000,000
Net cash flows from (used in) financing activities	**(3,079,085)**	8,220,408
NET INCREASE (DECREASE) IN CASH	**6,155,650**	(9,808,097)
CASH AT BEGINNING OF YEAR	**10,786,458**	20,594,555
CASH AT END OF YEAR (Note 4)	**₱16,942,108**	₱10,786,458

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. General Information

CARD-Business Development Service Foundation, Inc., (the Organization) is a nonstock, not-for-profit organization incorporated in the Philippines on January 11, 2008. The Organization is a member of the Center for Agriculture and Rural Development - Mutually Reinforcing Institutions (CARD-MRI) Group and was organized primarily to become CARD-MRI's main vehicle in integrating its micro entrepreneur clients into the mainstream economy while being socially-responsible citizens by providing for their holistic range of business and social service needs.

The Organization also aim to build a professional and sustainable business development service that can respond to the needs of CARD micro-entrepreneur clients in promoting, developing, expanding their business activities and improving their quality of life. These activities include operating as an agent to market the member's products and assisting its members in assessing project feasibilities.

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

2. Accounting Policies

Basis of Preparation
The accompanying financial statements have been prepared using the historical cost basis except for financial asset at fair value through profit or loss (FVPL) which is measured at fair value, and are presented in Philippine peso, the Organization's functional currency. All values are rounded to the nearest peso unless otherwise indicated.

Statement of Compliance
The Organization's financial statements have been prepared in accordance with the Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs).

Significant Accounting Policies

<u>Cash</u>
Cash includes cash on hand and in banks. Cash in banks earn interest at the respective bank deposit rates.

<u>Financial Instruments - Initial Recognition and Subsequent Measurement</u>
Date of recognition
A financial asset or a financial liability is recognized only when the Organization becomes a party to the contractual provisions of the instrument.

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

Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As at December 31, 2012 and 2011, the Organization has no loan commitments at cost less impairment and financial liabilities at FVPL.

Determination of fair value
The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction is used since it provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, and other relevant valuation models.

Financial assets at FVPL
This category includes convertible debt instrument.

After initial measurement, these financial assets are subsequently measured at fair value. Changes in fair value are recognized in the statement of revenue and expenses and changes in fund balance. Interest earned on holding financial assets at FVPL is included in ‘Administrative fees’ in the statement of revenue and expenses and changes in fund balance.

Financial assets that are debt instruments at amortized cost
This category includes receivables.

After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest method, less allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortization on receivables is included in ‘Administrative fees’ in the statement of revenue and expenses and changes in fund balance. The losses arising from impairment are recognized in ‘Provision for impairment and credit losses’.

Financial assets that are equity instruments at cost less impairment
This category includes equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably.

After initial measurement, these financial assets are subsequently measured at cost less any allowance for impairment losses.

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

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

Derecognition of Financial Assets and Liabilities
Financial assets
A financial asset is derecognized only when:

- the contractual rights to the cash flows from the financial asset have expired or are settled; or
- the Organization transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the Organization, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Organization derecognizes the asset, and recognizes separately any rights and obligations retained or created in the transfer.

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

Financial liabilities
A financial liability (or a part of a financial liability) is derecognized only when it is extinguished (i.e., when the obligation specified in the contract is discharged, is cancelled or expires). When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of revenue and expenses and changes in fund balance.

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

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

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

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

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the Organization reverses the previously recognized impairment loss either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset (net of any allowance account) that exceeds what the carrying amount would have been had the impairment not previously been recognized. The Organization recognizes the amount of the reversal in the statement of revenue and expenses and changes in fund balance immediately.

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Costs incurred in bringing the product to its present location and condition are accounted for on a moving average basis.

Investment in an Associate

The Organization's investment in its 30.0%-owned associate, MicroVentures, Inc. (MVI), is accounted for under the equity method of accounting. Under this method, the investment is carried at cost plus post-acquisition changes in the Organization's share in net assets of the associate.

If the Organization's share of losses of an associate equals or exceeds the carrying amount of its investment in the associate, the Organization discontinues recognizing its share of further losses. After the Organization's interest is reduced to zero, the Organization shall recognize additional losses by a provision only to the extent that the Organization has incurred legal or constructive obligations or has made payment on behalf of the associate. If the associate subsequently reports profits, the Organization shall resume recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

Property and Equipment

Depreciable property and equipment, which includes, transportation equipment and office furniture, fixtures and equipment, is carried at cost less accumulated depreciation and any impairment in value.

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

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

Office furniture, fixtures and equipment	3 years
Transportation equipment	3 years

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

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 revenue and expenses and changes in fund balance in the year the asset is derecognized.

Impairment of Property and Equipment and Investment in an Associate
At each reporting date, the Organization assesses whether there is any indication that its property and equipment and investment in an associate may be impaired. When an indicator of impairment exists, the Organization makes a formal estimate of recoverable amount. 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 exceeds its recoverable amount, the asset 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.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged against current operations in the year in which it arises.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any accumulated depreciation, in the case of property and equipment) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is credited to current operations.

Fund Balance
Fund balance consists of the amounts contributed by the members of the Organization and all current and prior period results of operations.

Revenue Recognition
Revenue is recognized to the extent that it is probable that economic benefits will flow to the Organization and the revenue can be measured reliably. The following specific recognition criteria must be met before revenue is recognized:

Marketing and project development
Marketing and project development revenues are recognized as they become due and billable.

Grants
Grants are recognized when there is a reasonable assurance that the Organization will comply with the conditions attaching to it, and that the grant will be received. Grants received for a specific purpose or with condition are initially recognized as a liability shown as funds held in trust under 'Accounts payable and accrued expenses' in the statement of assets, liabilities and fund balance, otherwise recorded as 'Grants' in the statement of revenue and expenses and changes in fund balance.

Administrative fees and other income
Administrative fees and other income are recognized when earned.

Cost and Expense Recognition
Cost and expenses are recognized when incurred.

Retirement Benefits
The Organization is covered by a funded noncontributory defined benefit retirement plan.

The Organization's retirement cost is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current period.

The liability recognized in the statement of assets, liabilities and fund balance, in respect of defined benefit pension plans, is the present value of the defined benefit obligation less the fair value of plan assets at the reporting date. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability. Actuarial gains and losses are immediately charged against or credited to income.

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).

Operating Leases

Organization as lessee

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of revenue and expenses and changes in fund balance on a straight-line basis over the lease term.

Organization as lessor

Leases where the Organization does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rent income. Contingent rents are recognized as revenue in the year in which they are earned.

Borrowing Costs

Borrowing costs are recognized as expense in the year in which these costs are incurred.

Provisions

Provisions are recognized when an obligation (legal or constructive) is incurred as a result of a past event and where 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.

Contingencies

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

Consistency of Presentation

The Organization retains the presentation and classification of items in the financial statements from one period to the next unless it is apparent that another presentation or classification would be more appropriate or when the PFRS for SMEs requires a change in presentation.

In 2011, the Organization revised the presentation format to result in financial statements that provide more reliable and relevant information about the effects of transactions, other events or conditions on the Organization's financial position, financial performance or cash flows as decided by management in its review of the Organization’s financial statements. Comparative amounts were reclassified to reflect the change.

Events After the Reporting Period

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

3. **Significant Accounting Judgments and Estimates**

Judgments
Management makes judgments in the process of applying the Organization's accounting policies. Judgments that have a significant effect on the reported amounts in the financial statements are discussed below.

a. *Operating leases*
Organization as lessee
The Organization leases the premises it occupies. It has determined that the risks and rewards of ownership of the premises have not been transferred to the Organization.

Organization as lessor
The Organization has determined that it retains the risks and rewards of ownership of the motor vehicles it leases.

b. *Contingencies*
The amount of probable costs for the resolution of possible claims has been developed in consultation with outside legal counsel handling the Organization's defense and is based upon the analysis of potential results.

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

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

(a) *Credit losses on receivables*
The Organization reviews its receivables to assess impairment annually. In determining whether an impairment loss should be recorded, the Organization makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of customers or national or local economic conditions that correlate with defaults on the receivables.

As at December 31, 2012 and 2011, the carrying value of receivables amounted to ₱24.1 million and ₱15.2 million, respectively, net of allowance for credit losses amounting to ₱12.2 million and ₱11.7 million, respectively (Note 6).

(b) *Impairment of financial assets that are equity instruments at cost less impairment*
The Organization assesses impairment on all of its equity instruments regardless of significance. Impairment of such assets requires estimation since the Organization will approximate the amount that it would receive for the asset if it was to be sold at the reporting date.

The carrying value of the Organization's equity investments at cost as at December 31, 2012 and 2011 amounted to ₱1.8 million and ₱1.3 million, respectively (Note 9). No allowance was recognized on these investments.

(c) *Impairment of financial assets at fair value thru profit or loss (FVPL)*
The Organization determines that financial assets at FVPL are impaired when the following loss events have come to the attention of the holder of the asset:

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

As at December 31, 2012 and 2011, the mark-to-market loss on financial assets at FVPL amounted to ₱0.2 million and ₱44,095, respectively (Note 5).

As at December 31, 2012 and 2011, the carrying value of financial assets at FVPL amounted to ₱5.6 million and ₱5.8 million, respectively (Note 5).

(d) *Impairment of property and equipment, inventories and investment in an associate*
The Organization assesses impairment on property and equipment, inventories and investment in an associate whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Organization considers important which could trigger an impairment review include the following:

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

An assessment is made at each reporting date of whether there is any indication of impairment of an asset, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset’s recoverable amount is estimated. An asset’s recoverable amount is calculated at the higher of the asset’s value in use or fair value less cost to sell.

As at December 31, 2012 and 2011, the carrying value of property and equipment amounted to ₱1.7 million and ₱29.6 million, respectively (Note 10). As at December 31, 2012 and 2011, the carrying value of inventories (included under ‘other current assets’) amounted to ₱10.0 million and ₱9.0 million, respectively (Note 7). The carrying value of investment in an associate and the related allowance for impairment losses amounted to nil and ₱1.8 million, respectively, as at December 31, 2012 and 2011 (Note 8).

(e) *Estimated useful lives of property and equipment*
The Organization estimates the useful lives of its property and equipment. This estimate is reviewed periodically to ensure that the period of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment. Refer to the summary of significant accounting policies for the estimated useful lives of property and equipment.

(f) *Present value of retirement obligation*
The cost of defined benefit pension plan and other post employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on plan assets, future salary increases, mortality rates and future pension increases. 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 the date applicable to the period over which obligation is to be settled.

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 reporting dates.

The present value of the defined benefit obligation amounted to ₱18.1 million and ₱13.1 million as at December 31, 2012 and 2011, respectively (Note 14).

4. Cash

This account consists of:

	2012	2011
Cash in banks	**₱16,902,008**	₱10,766,358
Cash on hand	**40,100**	20,100
	₱16,942,108	₱10,786,458

Cash in banks earn annual interest rates ranging from 1.5% to 3.5% in 2012 and 1.75% to 4.75% in 2011. Interest income amounting to ₱0.5 million in 2012 and ₱0.2 million in 2011 was included under ‘Others’ in the statement of revenue and expenses and changes in fund balance .

5. Financial Asset at Fair Value through Profit or Loss

This pertains to a 5-year ‘financial assistance’ loan (convertible to equity in 2012) granted in 2010 by the Organization to MVI (an affiliate) for the development of CARD members under MVI’s *Hapinoy* program. The principal, which carries an administrative fee of 10.8% per annum, is payable quarterly over a period of five years with first installment due after the expiration of two-year grace period. In 2012, the Organization did not convert the debt instrument to equity securities.

Under the memorandum of agreement, MVI has the option to prepay (partially or in full) the outstanding balance subject to a penalty equivalent to 0.5% of the amount prepaid plus the administrative fee due thereon.

The mark-to-market loss recognized under ‘Miscellaneous’ in the statement of revenue and expenses and changes in fund balance amounted to ₱209,837 and ₱44,095 in 2012 and 2011, respectively.

6. Receivables

This account consists of:

	2012	2011
Receivable from members	**₱20,221,012**	₱18,976,582
Due from affiliates (Note 17)	**6,525,372**	869,763
Other receivables	**9,595,626**	7,073,011
	36,342,010	26,919,356
Less allowance for credit losses	**12,233,979**	11,689,227
Total receivables	**24,108,031**	15,230,129
Less noncurrent portion	**113,537**	109,518
Current portion	**₱23,994,494**	₱15,120,611

Receivable from clients earns annual nominal administrative fee ranging from 24.0% to 30.0% in 2012 and 2011.

Other receivables includes receivable from agricultural trading program arising from marketing the member’s processed and unprocessed rice kernels amounting to ₱4.4 million and ₱4.6 million as at December 31, 2012 and 2011, respectively.

In 2010, the Organization has started the hapi-delivery program which includes delivery of goods to stores that are billed at a price that include delivery cost. Total receivables on this product amounting to ₱1.6 million and ₱1.3 million as at December 31, 2012 and 2011, respectively, were included in ‘Other receivables’. Total allowance for credit losses on this product amounting to ₱0.7 million and ₱0.6 million as at December 31, 2012 and 2011, respectively.

Changes in the allowance for credit losses are as follows:

	2012	2011
Balance at beginning of year	**₱11,689,227**	₱8,551,621
Provision for credit losses (Note 15)	**769,101**	3,331,140
Write-off	**(224,349)**	(193,534)
Balance at end of year	**₱12,233,979**	₱11,689,227

7. **Other Current Assets**

This account consists of:

	2012	2011
Technical and marketing materials	**₱9,999,133**	₱9,034,507
Prepaid subscription	**7,500,000**	–
Prepaid expenses	**498,746**	1,374,372
Others	**2,388,398**	2,121,827
	20,386,277	12,530,706
Less allowance for probable losses	**294,301**	294,301
	₱20,091,976	₱12,236,405

Other current assets include items used in technical services and production of marketing materials which generated a marketing fee amounting to ₱12.5 million in 2012 and ₱11.9 million in 2011.

The Organization's marketing program also earned a marketing fee amounting to ₱4.6 million and ₱5.2 million in 2012 and 2011, respectively.

Prepaid subscription represents deposit for future stock subscription to CARD Leasing and Finance Corporation and BotiCARD Inc. amounting to ₱7.0 million representing 49.9% ownership and ₱0.5 million representing 9.0% ownership, respectively. As at December 31, 2012, the application for increase in shares of stock of BotiCARD Inc. has not yet filed with the Securities and Exchange Commission (SEC) while CARD Leasing and Finance Corporation is in the process of establishing its existence of being a corporation. On January 10, 2013, the SEC issued its certificate of incorporation.

Provision for probable losses is included in the following expenses:

	2012	2011
Project related expenses (Note 15)	**₱–**	₱223,398
Administrative expenses	**–**	70,903
	₱–	₱294,301

8. Investment in an Associate

This account represents the Organization's investment in its 30.0%-owned associate, MVI.

The movement in this account follows:

	2012	2011
Acquisition cost:		
Balance at beginning of year	**₱4,000,000**	₱4,000,000
	4,000,000	4,000,000
Accumulated equity in net losses:		
Balance at beginning of year	**(2,213,895)**	(2,213,895)
Equity in net loss	**–**	–
	(2,213,895)	(2,213,895)
Less allowance for impairment losses	**1,786,105**	1,786,105
	₱–	₱–

Financial information of MVI follows:

	2012	2011
Total assets	**₱5,967,828**	₱8,968,986
Total liabilities	**22,465,445**	17,103,410
Revenue	**6,352,419**	1,515,580
Net loss	**(6,841,227)**	(9,693,120)

Unrecognized share in net losses of MVI amounted to ₱7.1 million and ₱5.0 million as at December 31, 2012 and 2011, respectively.

9. Equity Investments at Cost

This account consists of investments in unquoted common shares of the Organization's affiliates as follows:

	2012	2011
BotiCARD, Inc. (net of ₱0.4 million subscription payable)	**₱900,000**	₱500,000
CARD MRI Information Technology, Inc. (CMIT)	**750,000**	750,000
CARD MRI Insurance Agency, Inc. (CAMIA)	**157,500**	39,375
	₱1,807,500	₱1,289,375

These investments are carried at cost less any impairment in value (Note 17).

10. **Property and Equipment**

The composition of and movements in this account follow:

	2012		
	Transportation Equipment	**Office Furniture, Fixtures and Equipment**	**Total**
Cost			
Balance at beginning of year	**₱33,739,354**	**₱3,005,783**	**₱36,745,137**
Additions	**5,193,630**	**302,011**	**5,495,641**
Disposals	**(36,871,339)**	**–**	**(36,871,339)**
Balance at end of year	**2,061,645**	**3,307,794**	**5,369,439**
Accumulated Depreciation			
Balance at beginning of year	**5,163,282**	**2,026,250**	**7,189,532**
Depreciation (Note 15)	**3,333,576**	**565,792**	**3,899,368**
Disposals	**(7,444,622)**	**–**	**(7,444,622)**
Balance at end of year	**1,052,236**	**2,592,042**	**3,644,278**
Net Book Value	**₱1,009,409**	**₱715,752**	**₱1,725,161**

	2011		
	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
Cost			
Balance at beginning of year	₱2,517,159	₱2,591,443	₱5,108,602
Additions	31,277,695	686,905	31,964,600
Retirements	(55,500)	(272,565)	(328,065)
Balance at end of year	33,739,354	3,005,783	36,745,137
Accumulated Depreciation			
Balance at beginning of year	916,097	1,618,835	2,534,932
Depreciation (Note 15)	4,251,423	731,242	4,982,665
Retirements	(55,500)	(272,565)	(328,065)
Balance at end of year	5,112,020	2,077,512	7,189,532
Net Book Value	₱28,627,334	₱928,271	₱29,555,605

As at December 31, 2012 and 2011, the cost of fully-depreciated assets still in use amounted to ₱1.6 million and ₱1.1 million, respectively.

Depreciation on property and equipment is included in the following expenses:

	2012	2011
Project related expenses (Note 15)	**₱2,735,930**	₱4,403,539
Administrative expenses	**1,163,438**	579,126
	₱3,899,368	₱4,982,665

11. Other Noncurrent Asset

This account represents properties held by the Organization intended for the benefits of its members as structural model for future socialized housing projects.

12. Accounts Payable and Accrued Expenses

This account consists of:

	2012	2011
Accrued expenses	**₱5,982,509**	₱5,596,075
Accounts payable	**946,378**	470,359
Funds held in trust	**567,125**	3,593,416
Other payables	**168,445**	29,128
	₱7,664,457	₱9,688,978

Accrued expenses include vacation leave credits, bonuses, professional fees, program monitoring and evaluation, and other expenses (Note 17). Funds held in trust include restricted grants from United Nations Environment Programme (UNEP) for solar project and Cordaid for the assessment of climate smart agricultural extension services.

13. Project Assistance Payable

This account represents ₱10.0 million and ₱36.6 million loans availed from CARD, Inc. in 2011 and 2008, respectively, for the Organization's expansion program and working capital requirements. The loans are payable within a period of five years and bear an annual interest based on market lending rate (Note 17).

As at December 31, 2012 and 2011, the Organization's project assistance payable amounted to ₱35.4 million and 36.6 million, respectively. The amount payable within 12 months amounted to ₱2.5 million and ₱1.3 million in 2012 and 2011, respectively.

14. Retirement Benefits

The Organization, CARD Bank, Inc., CARD Mutual Benefit Association (MBA), Inc., CARD SME Bank, Inc., CARD MRI Insurance Agency (CAMIA), Inc., CARD MRI Development Institute (CMDI), Inc., CARD MRI Information Technology, Inc. (CMIT), BotiCARD, Inc., and CARD, Inc. maintain a funded and formal noncontributory defined benefit retirement plan - the CARD MRI Multi-Employer Retirement Plan (the Plan) - covering all of their regular employees. The Plan has a projected unit cost format and is financed solely by the Organization and its related parties. The Plan complies with the requirement of Republic Act No. 7641 (Retirement Law). The Plan provided lump sum benefits equivalent to at least one half (1/2) month salary for every year of service, a fraction of at least six months being considered as one whole year upon retirement, death, total and permanent disability, involuntary separation (except cause) or voluntary separation after completion of at least ten years of service with the participating companies. However, starting 2011, the Plan provides lump sum benefits equivalent 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, involuntary separation (except cause) or voluntary separation after completion of at least one year of service with the participating companies.

The principal actuarial assumptions used in determining retirement liability for the Organization's retirement plan as at January 1, 2012 and 2011 are shown below:

	2012	2011
Discount rate	**7.0%**	9.3%
Expected rate of return plan on assets	**5.0**	5.0
Future salary increases	**12.0**	12.0

As at December 31, 2012, the discount rate used in determining the present value of obligation is 6.2%.

The amounts recognized in the statement of assets, liabilities and fund balance follow:

	2012	2011
Present value of pension obligation	**₱18,072,900**	₱13,105,100
Fair value of plan assets	**(9,206,538)**	(7,327,424)
Net retirement liability	**₱8,866,362**	₱5,777,676

The movements in the net retirement liability follow:

	2012	2011
Balance at the beginning of the year	**₱5,777,676**	(₱711,200)
Retirement expense	**4,473,447**	6,884,600
Contributions paid	**(1,384,761)**	(395,724)
	₱8,866,362	₱5,777,676

The amounts included in 'Compensation and employee benefits' account in the statement of revenue and expenses and changes in fund balance are as follows:

	2012	2011
Actuarial loss	**₱2,362,218**	₱4,913,100
Current service cost	**1,562,900**	670,800
Interest cost	**914,700**	532,000
Expected return on plan assets	**(366,371)**	(321,300)
Past service cost	–	1,090,000
	₱4,473,447	₱6,884,600

The movements in the fair value of plan assets follow:

	2012	2011
Balance at beginning of year	**₱7,327,424**	₱6,425,600
Contributions paid	**1,384,761**	395,724
Expected return on plan assets	**366,371**	321,300
Actuarial gain	**127,982**	52,300
Transfer to the plan assets from other MRI entity	–	132,500
	₱9,206,538	₱7,327,424

In 2012, actual return on plan assets amounted to ₱0.5 million.

The major categories of plan assets as a percentage of the fair value of the total plan assets are as follows:

	2012	2011
Government securities	**39.7%**	29.8%
Time deposits and special savings accounts	**60.3**	70.2
	100.0%	100.0%

The movements in the present value of the pension obligation follow:

	2012	2011
Balance at beginning of year	**₱13,105,100**	₱5,714,400
Actuarial loss	**2,490,200**	4,965,400
Current service cost	**1,562,900**	670,800
Interest cost	**914,700**	532,000
Transfer to the plan assets from other MRI entity	–	132,500
Past service cost	–	1,090,000
	₱18,072,900	₱13,105,100

15. **Project Related Expenses**

This account consists of:

	2012	2011
Compensation and employee benefits (Notes 14 and 17)	**₱10,432,012**	₱11,667,986
Depreciation (Note 10)	**2,735,930**	4,403,539
Supplies and materials	**2,523,633**	650,926
Transportation and travel	**2,416,129**	4,324,358
Program monitoring and evaluation	**2,046,641**	1,131,423
Training and development	**2,008,314**	164,384
Interest expense (Notes 13 and 17)	**1,371,814**	1,779,592
Rental (Notes 16 and 17)	**839,279**	657,079
Seminars and meetings	**803,214**	154,148
Provision for impairment and credit losses (Notes 6 and 7)	**769,101**	3,554,538
Information Technology (Note 17)	**609,226**	606,594
Insurance	**608,451**	573,543
Repairs and maintenance	**442,306**	716,570
Management and professional fees	**314,172**	510,967
Utilities	**297,132**	263,418
Communication	**213,910**	266,192
Janitorial, messengerial and security	**134,761**	113,538
Miscellaneous	**330,367**	380,407
	₱28,896,392	₱31,919,202

Miscellaneous includes renewal of business permits and licenses, bank’s service charge, registration fee and other expenses.

16. **Lease Contracts**

As Lessee
The Organization leases premises occupied by its branches, as well as staff houses of its employees. The lease contracts are for one year and are renewable upon mutual agreement between the Organization and the lessors.

The future aggregate minimum lease payments within one year under non-cancelable operating leases amounted to ₱0.5 million in 2012 and 2011.

As Lessor
In 2011, the Organization tested the viability of leasing as potential business for CARD MRI Group. Project development income derived from leasing its motor vehicles amounted to ₱4.4 million and ₱8.6 million as at December 31, 2012 and 2011, respectively. On February 18, 2012, the Organization decided to turn over this project to other CARD MRI institution effective March 30, 2012.

17. **Related Party Transactions**

In the ordinary course of business, the Organization transacts with related parties. Related parties include trustees, members, officers, employees and entities (affiliates) where trustees, members and officers hold key management positions. Transactions with these related parties include normal banking transactions, interest and non-interest bearing advances or loans, accounts receivable and accounts payable. These transactions are made substantially on the same terms as other individuals and business of comparable risks.

Transactions with retirement plans
Under PFRS for SMEs, certain post-employment benefit plans are considered as related parties. CARD MRI's Multi-Employer Retirement Plan (MERP) is managed by the CARD Employee Multipurpose Cooperative (EMPC). Part of the plan assets are invested in time deposits and special savings accounts with the affiliated banks (Note 14).

Remunerations of Trustees and other Key Management Personnel
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Organization, directly or indirectly. The Organization considers the members of the board of trustees and senior management to constitute key management personnel for purposes of PAS 24.

The compensation of key management personnel included under 'Compensation and employee benefits' in the statement of revenue and expenses and changes in fund balance are as follows:

	2012	2011
Short-term employee benefits	**₱3,411,820**	₱2,920,107
Post employment benefits	**572,423**	972,168
	₱3,984,243	₱3,892,275

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

Cash, accounts payable and accounts receivable

Cash, accounts payable and accounts receivable held by the Organization for key management personnel and affiliates as at December 31, 2012 and 2011 follow:

	December 31, 2012		
Category	**Amount / Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
CARD Bank			
Cash		**₱8,293,512**	These are checking and savings account with annual interest rate ranging from 1.5% to 4.75%
Deposits	**₱158,251,969**		
Withdrawals	**(152,044,334)**		
Accounts payable		**₱64,150**	Pertains to unearned service fees charge & overpayment on supplies billed / 15 days upon receipt of billings.
Billings	**₱77,908**		
Payments	**(13,758)**		
Accounts receivable		**62,650**	Supplies, airfare cost and other expenses billed/ 15 days upon issuance of billings
Billings	**2,841,415**		
Collections	**(3,223,066)**		
CARD Inc.			
Accounts payable		**1,138**	Courier fee & share on telephone bill, overpayment for supplies/ 15 days upon receipt of billings
Billings	**30,765**		
Payments	**(38,281)**		
Accounts receivable		**4,463,033**	Supplies, airfare cost, expenses at kapihan ni inay and other expenses billed/ 15 days upon issuance of billings
Billings	**7,672,154**		
Collections	**(3,222,133)**		
CMDI			
Accounts payable		**27,122**	Un-redeem gift cheque/ service rendered of driver & module/ 15 days upon receipt of billings & redemption of gift cheque
Billings	**27,122**		
Payments	**(47,991)**		
Accounts receivable		–	Supplies, airfare cost, expenses at kapihan ni inay & telephone bill/ 15 days upon issuance of billings
Billings	**64,205**		
Collections	**(113,548)**		
CARD MBA			
Accounts payable		**19,588**	Loan Redemption Fund (LRF) for loans of members/ payable every 1st wednesday of the following month
Billings	**28,989**		
Payments	**(24,032)**		
Accounts receivable		**5,800**	Expenses at kapihan ni inay, supplies, airfare cost and telephone bill/15 days upon issuances of billing
Billings	**389,555**		
Collections	**(542,133)**		
CARD SME			
Cash		**6,080,704**	These are checking and savings account with annual interest rate ranging from 1.5% to 3.50%
Deposits	**13,114,000**		
Withdrawals	**8,137,142**		
Accounts receivable		–	Supplies, airfare cost, expenses at kapihan ni inay & telephone bill/ 15 days upon issuance of billings
Billings	**734,506**		
Collections	**(914,944)**		
CARD EMPC			
Accounts receivable		**1,750,000**	Future subscription of CARD Leasing and Finance Corp., supplies and expenses at kapihan ni Inay/15 days upon issuances of billing
Billings	**1,754,812**		
Collections	**(4,812)**		
CAMIA			
Accounts receivable		–	Expenses at kapihan ni inay, supplies, airfare cost and telephone bill/15 days upon issuances of billing
Billings	**29,741**		
Collections	**(33,073)**		
CMIT			
Accounts receivable		–	Expenses at kapihan ni inay, supplies, airfare cost and telephone bill/15 days upon issuances of billing
Billings	**16,929**		
Collections	**(30,257)**		
BotiCARD			
Accounts payable		–	Payment of staff for medicine/ salary deduction within the month
Billings	**1,460**		
Payments	**(1,460)**		
Accounts receivable		**250**	Share on overtime pay of staff
Billings	**8,943**		
Collections	**(16,325)**		
MVI			
Accounts payable		**816,179**	Payable for solar products re: charging station
Billings	**711,008**		
Payments	–		

	December 31, 2011		
Category	Amount / Volume	Outstanding Balance	Nature, Terms and Conditions
CARD Bank			
Cash		₱2,085,877	These are checking and savings account with annual interest rate ranging from 1.5% to 4.75%
Deposits	₱81,317,156		
Withdrawals	(79,231,279)		
Accounts receivable		444,301	Supplies, airfare cost and other expenses billed/ 15 days upon issuance of billings
Billings	5,636,481		
Collections	5,192,180		
CARD Inc.			
Accounts payable		8,654	Overpaid supplies, expenses, member's product & additional fund for motorcycle/ 15 days upon receipt of billings
Billings	10,254		
Payments	1,600		
Accounts receivable		13,012	Solar sales & excess fund for motorcycle of Guian unit, supplies, airfare cost and other expenses billed/ 15 days upon issuance of billings
Billings	6,824,575		
Collections	6,811,563		
CMDI			
Accounts payable		47,991	Un-redeem gift cheque/ service rendered of driver/ 15 days upon receipt of billings & redemption of gift cheque
Billings	47,991		
Payments	–		
Accounts receivable		49,343	Supplies, airfare cost, expenses at kapihan ni inay & telephone bill/ 15 days upon issuance of billings
Billings	258,439		
Collections	209,096		
CARD MBA			
Accounts payable		14,631	Loan Redemption Fund (LRF) for loans of members/ payable every 1st wednesday of the following month
Billings	14,631		
Payments	–		
Accounts receivable		158,378	Supplies, airfare cost & share on electric consumption/ 15 days upon issuance of billings
Billings	836,055		
Collections	677,677		
CARD SME			
Cash		1,103,846	These are checking and savings account with annual interest rate ranging from 1.5% to 3.50%
Deposits	5,575,846		
Withdrawals	(4,472,000)		
Accounts receivable		180,438	Supplies, airfare cost, expenses at kapihan ni inay & telephone bill/ 15 days upon issuance of billings
Billings	859,950		
Collections	679,512		
CARD EMPC			
Accounts receivable		–	Marketing materials & share of other expenses billed / 15 days upon issuance of billings
Billings	18,736		
Collections	18,736		
CAMIA			
Accounts receivable		3,332	Share on electric consumption/ 15 days upon issuance of billings
Billings	24,401		
Collections	21,069		
CMIT			
Accounts receivable		13,328	Share on electric consumption/ 15 days upon issuance of billings
Billings	76,426		
Collections	63,099		
BotiCARD			
Accounts payable		–	Payment of staff for medicine/ salary deduction within the month
Billings	2,935		
Payments	2,935		
Accounts receivable		7,632	Marketing materials, airfare cost, expenses at kapihan ni inay & telephone bill/ 15 days upon issuance of billings
Billings	200,474		
Collections	192,842		
MVI			
Accounts payable		105,171	Expenses related to the distribution project for the month of December/ upon receipt of billings
Billings	105,171		
Payments			

Others

Other related party transactions of the Organizations are as follows (in thousands):

	2012	2011	Nature, Terms and Conditions
Statement of Assets, Liabilities and Fund Balance			
CARD, Inc.			
Project assistance payable	**₱35,367**	₱36,617	Loans availed from CARD Inc. for the Organization's expansion program and working capital requirements (Note 13)
CAMIA			
Equity investment at cost	**158**	39	Organization's investment in equity shares with 4.85% ownership (Note 9)
CAMIT			
Equity investment at cost	**750**	750	Organization's investment in equity shares with 15.0% ownership (Note 9)
MVI			
Financial asset at FVPL	**5,589**	5,799	A 5 year financial assistance loan for the development of CARD members under MVI's Hapinoy program and carries an administrative fee of 10.8% per annum payable quarterly over 5 years (Note 5)
BotiCARD			
Equity investment at cost	**900**	500	Organization's investment in equity shares with 9.0% ownership (Note 9)
Prepaid subscription	**500**	–	Represents deposit for future stock subscription in which BotiCARD's application for increase in shares of stock has not yet filed with the SEC (Note 7)
CARD Leasing and Finance Corp.			
Prepaid subscription	**7,000**	500	Represents deposit for future stock subscription in which CARD Leasing and Finance Corporation is in the process of establishing its existence (Note 7)
Statement of Revenue and Expenses and Changes in Fund Balance			
CARD Bank			
Marketing fees	**4,497**	4,712	Income derived from providing marketing services to CARD MRI group and the related affiliates
CARD EMPC			
Marketing fees	**0.8**	0.6	Income derived from providing marketing services to CARD MRI group and the related affiliates.
CARD, Inc.			
Grants	**10,000**	10,000	Grants from CARD Inc. for the Organization's expansion of non-financial services and other innovative and research program.
Marketing fees	**5,746**	4,736	Income derived from providing marketing services to CARD MRI group and the related affiliates
Interest expense	**1,829**	1,780	Interest expense on project assistance payable which bears an annual interest based on market lending rate
Rent expense	**372**	346	The Organization leases premises occupied by its branches, as well as staff houses of its employees (Note 16)
Project development income	**2,582**	5,246	Income derived from leasing its motor vehicles to CARD MRI group (Note 16)
CARD MBA			
Marketing fees	**833**	947	Income derived from providing marketing services to CARD MRI group and the related affiliates
Project development income	**399**	738	Income derived from leasing its motor vehicles to CARD MRI group (Note 16)
CARD SME Bank			
Marketing fees	**1,249**	1,421	Income derived from providing marketing services to CARD MRI group and the related affiliates
Project development income	**328**	764	Income derived from leasing its motor vehicles to CARD MRI group (Note 16)

(Forward)

	2012	2011	Nature, Terms and Conditions
CMDI			
Seminars and trainings expense	**₱2,646**	₱860	The Organization engaged CMDI for training and development of its members and employees (shown as part of 'Training and development' in the statement of revenue and expenses and changes in fund balance)
Marketing fees	**38**	7	Income derived from providing marketing services to CARD MRI group and the related affiliates
Project development income	**104**	243	Income derived from leasing its motor vehicles to CARD MRI group (Note 16)
CMIT			
Information technology	**831**	882	This pertains to the CMIT's rendered services in relation to system maintenance agreement and upgrade of the Bank's core banking system (CBS)
Marketing fees	**6**	2	Income derived from providing marketing services to CARD MRI group and the related affiliates
MVI			
Administrative fees	**–**	486	Pertains to interest earned on hapinoy loan and hapinoy delivery program provided by the Organization on its members
Mark-to-market loss	**210**	44	Loss arising from the decline in the market value of financial assets at fair value thru profit or loss (Note 5)
BotiCARD			
Marketing fees	**19**	**5**	Income derived from providing marketing services to CARD MRI group and the related affiliate.
Project development income	**152**	152	Income derived from leasing its motor vehicles to CARD MRI group (Note 16)
Rizal Rural Bank			
Marketing fees	**85**	–	Income derived from providing marketing services to CARD MRI group and the related affiliate.

18. Approval for the Release of Financial Statements

The accompanying financial statements of the Organization were reviewed and approved for release by the Organization's BOT on March 16, 2013.

19. Supplementary Information Required Under Revenue Regulation (RR) 19-2011

In addition to the required supplementary information under RR 15-2010, on December 9, 2011, the BIR issued RR 19-2011 which prescribes the new annual income tax forms that will be used for filing effective taxable year 2011. Specifically, companies are required to disclose certain tax information in their respective notes to financial statements.

Being not organized for profit and since no part of its net income inures to the benefit of any private individual or member, the Organization's income from activities in pursuit of the purpose for which the Organization was organized is exempt from income tax. Accordingly, the schedule of taxable sales/receipts/fees, related cost of sales/services, and non-operating and taxable other income are not applicable to the Organization.

The Organization has the following exempt itemized deductions for the year ended December 31, 2012:

Salaries and allowances	₱4,109,466
Transportation and travel	1,298,435
Depreciation	1,163,438
Training and development	860,706
Supplies and materials	835,135
Program monitoring and evaluation	578,094
Interest	457,271
Rental	359,691
Seminars and meetings	344,234
Information and technology	236,921
Insurance	203,795
Repairs and maintenance	165,300
Management and professional fee	122,178
Utilities	115,551
Communication	77,513
Janitorial and messengerial services	52,407
Representation	10,190
Taxes and licenses	7,630
Supervision and examination	5,182
Miscellaneous	315,292
Total expenses	₱11,318,429

20. **Supplementary Information Required Under Revenue Regulation 15-2010**

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

The Organization reported and/or paid the following taxes in 2012:

a. The components of ‘Taxes and licenses’ recognized under ‘Miscellaneous expenses’ in the statement of revenue and expenses and changes in fund balance follow:

Business permits and licenses	₱26,751
Community tax certificate	500
	₱27,251

b. The following withholding taxes are categorized into:

Withholding tax on compensation:	
Paid	₱359,679
Accrued	153,851
	513,530
Expanded withholding tax:	
Paid	550,468
Accrued	14,594
	565,062
	₱1,078,592

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULE

The Board of Trustees
CARD-Business Development Service Foundation, Inc.
20 M.L. Quezon Street, City Subdivision
San Pablo City, Laguna

We have audited in accordance with Philippine Standards on Auditing, the financial statements of CARD-Business Development Service Foundation, Inc. (A Nonstock, Not-for-Profit Organization) as at and for the years ended December 31, 2012 and 2011 and have issued our report thereon dated March 16, 2013. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of receipts and disbursements is the responsibility of the Organization’s management. This schedule is presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Christian G. Lauron
Partner
CPA Certificate No. 95977
SEC Accreditation No. 0790-AR-1 (Group A),
March 1, 2012, valid until March 1, 2015
Tax Identification No. 210-474-781
BIR Accreditation No. 08-001998-64-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3174600, January 2, 2013, Makati City

March 16, 2013

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CARD-BUSINESS DEVELOPMENT SERVICE FOUNDATION, INC.
(A Nonstock, Not-for-Profit Organization)

SUPPLEMENTARY SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

RECEIPTS

Reimbursements of costs of marketing and other programs	₱38,321,740
Disposal of property and equipment	29,426,717
Collection of program loans	16,988,915
Grants	10,000,000
Marketing fee	4,570,323
Project development	4,392,000
Administrative fee	1,394,968
Interest received	507,437
Others	1,556,019
	₱107,158,119

DISBURSEMENTS

Purchases of technical, marketing and other materials	₱35,463,301
Releases of program loans	18,233,345
Project related expenses	16,902,800
Administrative expenses	8,103,122
Prepaid subscription	7,500,000
Acquisition of property and equipment	5,495,641
Contribution to the retirement fund	1,384,761
Project assistance paid	1,250,000
Interest paid	1,829,085
Investment in equity shares	518,125
Acquisition of other noncurrent assets	96,913
Others	4,225,376
	₱101,002,469