

**CARD-Business Development
Service Foundation, Inc.
and a Subsidiary**

Consolidated Financial Statements
December 31, 2015 and 2014

and

Independent Auditors' Report



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of CARD-Business Development Service Foundation, Inc. (A Nonstock, Not-for-Profit Organization) and a Subsidiary (the Group) and the parent company financial statements of CARD-Business Development Service Foundation, Inc. (the Parent Company), which comprise the consolidated and the parent company statements of assets, liabilities and fund balance as at December 31, 2015 and 2014, and the statements of revenue over expenses, statements of changes in fund balance and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated and parent company financial statements in accordance with Philippine Financial Reporting Standards for Small and Medium-sized entities, and for such internal control as management determines is necessary to enable the preparation of consolidated and the parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated and parent company financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and the parent company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated and parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and the parent company financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and the parent company financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.


Opinion

In our opinion, the consolidated and the parent company financial statements present fairly, in all material respects, the assets, liabilities and fund balance of the Group and of the Parent Company as at December 31, 2015 and 2014, and their financial performance and their cash flows for the years then ended in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 22 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of the CARD-Business Development Service Foundation, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Ray Francis C. Balagtas

Partner

CPA Certificate No. 108795

SEC Accreditation No. 1510-A (Group A),

October 1, 2015, valid until September 30, 2018

Tax Identification No. 216-950-288

BIR Accreditation No. 08-001998-107-2015,

March 4, 2015, valid until March 3, 2018

PTR No. 5321607, January 4, 2016, Makati City

March 11, 2016



**CARD-BUSINESS DEVELOPMENT SERVICE FOUNDATION, INC.
AND A SUBSIDIARY**

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

	Consolidated		Parent Company	
	December 31			
	2015	2014	2015	2014
ASSETS				
Current Assets				
Cash (Notes 5 and 19)	₱3,923,914	₱3,356,592	₱1,824,886	₱2,406,321
Receivables (Notes 7 and 19)	6,324,637	4,604,386	8,248,517	7,506,533
Other current assets (Note 8)	7,639,535	8,208,096	5,700,919	6,426,053
	17,888,086	16,169,074	15,774,322	16,338,907
Noncurrent Assets				
Available-for-sale investments (Note 6)	6,220,000	6,842,500	6,220,000	6,842,500
Investments in subsidiary and associates (Note 9)	26,581,446	32,766,962	28,581,446	33,735,712
Property and equipment (Note 10)	5,161,730	5,541,007	5,003,580	5,459,079
Retirement asset (Note 14)	–	539,278	59,711	539,278
Other noncurrent assets (Note 11)	900,000	900,000	900,000	900,000
	38,863,176	46,589,747	40,764,737	47,476,569
	₱56,751,262	₱62,758,821	₱56,539,059	₱63,815,476
LIABILITIES AND EQUITY				
Liabilities				
Current Liabilities				
Accounts payable and accrued expenses (Note 12)	₱8,944,388	₱17,326,349	₱8,403,705	₱16,763,882
Project assistance payable (Notes 13 and 19)	1,250,000	2,500,000	1,250,000	2,500,000
	10,194,388	19,826,349	9,653,705	19,263,882
Noncurrent Liabilities				
Project assistance payable (Notes 13 and 19)	–	1,250,000	–	1,250,000
Retirement liability (Note 14)	536,831	–	–	–
	536,831	1,250,000	–	1,250,000
	10,731,219	21,076,349	9,653,705	20,513,882
Fund Balance				
Fund balance attributable to Parent Company	45,466,923	41,816,259	46,885,354	43,301,594
Non-controlling interest (Note 9)	553,120	(133,787)	–	–
Total Fund Balance	46,020,043	41,682,472	46,885,354	43,301,594
	₱56,751,262	₱62,758,821	₱56,539,059	₱63,815,476

See accompanying Notes to Financial Statements.



**CARD-BUSINESS DEVELOPMENT SERVICE FOUNDATION, INC.
AND A SUBSIDIARY**

STATEMENTS OF REVENUE OVER EXPENSES

	Consolidated		Parent Company	
	Years Ended December 31			
	2015	2014	2015	2014
REVENUES				
Sales (Note 19)	₱9,531,439	₱14,867,893	₱–	₱–
Grants (Note 19)	25,000,000	41,416,857	25,000,000	41,416,857
Dividend income (Note 6)	145,050	287,750	145,050	287,750
Administrative fees (Note 7)	77,240	380,752	77,240	380,752
Other income (Note 15)	3,813,783	627,703	1,707,585	4,555,382
	38,567,512	57,580,955	26,929,875	46,640,741
EXPENSES				
Project related expenses (Note 16)	27,233,777	35,817,112	19,080,535	24,890,192
Compensation and employee benefits (Notes 14 and 19)	2,567,014	3,298,859	1,554,190	3,110,743
Repairs and maintenance	844,328	477,363	816,897	412,506
Transportation and travel	802,818	764,755	619,117	638,796
Program monitoring and evaluation	688,347	594,383	608,250	540,989
Rental (Note 17)	643,083	612,712	501,225	329,175
Supplies and materials	508,095	369,263	190,974	204,620
Actuarial losses (gains) (Note 14)	446,516	(1,936,788)	(25,641)	(1,936,788)
Seminars and meetings	347,226	126,744	258,412	230,294
Management and professional fees	328,145	298,342	113,771	236,742
Research and documentation	263,424	–	263,424	–
Outsourced services	243,170	650,107	–	–
Training and development	226,867	230,588	217,907	230,588
Utilities	208,137	149,022	162,702	138,713
Depreciation (Note 10)	188,160	160,479	137,522	147,265
Communication	152,972	122,661	32,062	95,239
Janitorial, messengerial and security	131,772	117,908	131,772	116,018
Interest (Notes 13 and 19)	37,054	316,861	37,054	316,861
Mark-to-market loss on fair value through profit and loss (Note 6)	–	1,133,787	–	1,133,787
Miscellaneous	889,704	489,875	580,426	367,787
	36,750,609	43,794,033	25,280,599	31,203,527
EXCESS OF REVENUE OVER EXPENSES BEFORE SHARE IN NET INCOME OF ASSOCIATES				
	1,816,903	13,786,922	1,649,276	15,437,214
SHARE IN TOTAL COMPREHENSIVE INCOME OF ASSOCIATES (Note 9)				
	1,934,484	3,344,979	1,934,484	5,606,962
EXCESS OF REVENUE OVER EXPENSES BEFORE INCOME TAX				
	3,751,387	17,131,901	3,583,760	21,044,176
PROVISION FOR INCOME TAX (Note 18)				
	366	80	–	–
EXCESS OF REVENUE OVER EXPENSES				
	₱3,751,021	₱17,131,821	₱3,583,760	₱21,044,176
ATTRIBUTABLE TO:				
Parent Company	₱3,650,664	₱17,296,858		
Non-controlling interest (Note 9)	100,357	(165,037)		
	₱3,751,021	₱17,131,821		

See accompanying Notes to Financial Statements



**CARD-BUSINESS DEVELOPMENT SERVICE FOUNDATION, INC.
AND A SUBSIDIARY**

STATEMENTS OF CHANGES IN FUND BALANCE

	Consolidated			Parent Company
	Fund Balance Attributable to the Parent Company	Non-controlling Interest (Note 9)	Total	Fund Balance
Balance at January 1, 2015	₱41,816,259	(₱133,787)	₱41,682,472	₱43,301,594
Increase in non-controlling interest in Mga Likha ni Inay's equity	–	586,550	586,550	–
Excess of revenue over expenses	3,650,664	100,357	3,751,021	3,583,760
Balance at December 31, 2015	₱45,466,923	₱553,120	₱46,020,043	₱46,885,354
Balance at January 1, 2014	₱24,519,401	₱–	₱24,519,401	₱22,257,418
Share of non-controlling interest in Mga Likha ni Inay's initial equity	–	31,250	31,250	–
Excess of revenue over expenses (Excess of expenses over revenue)	17,296,858	(165,037)	17,131,821	21,044,176
Balance at December 31, 2014	₱41,816,259	(₱133,787)	₱41,682,472	₱43,301,594

See accompanying Notes to Financial Statements.



**CARD-BUSINESS DEVELOPMENT SERVICE FOUNDATION, INC.
AND A SUBSIDIARY**

STATEMENTS OF CASH FLOWS

	Consolidated		Parent Company	
	Years Ended December 31			
	2015	2014	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess of revenue over expenses	₱3,751,387	₱17,131,901	₱3,583,760	₱21,044,176
Adjustments for:				
Provision for impairment, credit and inventory losses (Notes 6, 7 and 8)	2,536,553	12,280,709	3,137,507	11,571,356
Share in net income of associates (Note 9)	(1,934,484)	(3,344,979)	(1,934,484)	(5,606,962)
Retirement expense (Note 14)	908,731	1,758,680	784,346	1,758,680
Depreciation (Notes 10 and 16)	541,787	539,159	491,149	525,945
Actuarial loss (gain) (Notes 14 and 16)	380,582	(6,917,099)	(91,575)	(6,917,099)
Dividend income (Note 6)	(145,050)	(287,750)	(145,050)	(287,750)
Interest expense (Notes 13, 15 and 19)	132,337	1,131,648	132,337	1,131,648
Interest income on deposits (Notes 5 and 19)	(48,999)	(142,238)	(47,170)	(141,838)
Mark-to-market loss on financial asset at fair value through profit or loss (Note 6)	–	1,133,787	–	1,133,787
Grants (Note 19)	–	(26,616,857)	–	(26,616,857)
Operating income before working capital changes	6,122,844	(3,333,039)	5,910,820	(2,404,914)
Changes in operating assets and liabilities:				
Decrease (increase) in amount of:				
Receivables	988,257	6,718,275	(1,136,034)	3,816,128
Other current assets	176,058	717,583	(268,323)	3,208,899
Decrease in amount of:				
Accounts payable and accrued expenses	(4,484,519)	(2,817,427)	(1,360,177)	(3,379,814)
Net cash flows generated from operations	2,802,640	1,285,392	3,146,286	1,240,299
Contributions paid to retirement plan (Note 14)	(213,204)	(2,147,340)	(213,204)	(2,147,340)
Interest received	48,999	142,238	47,170	141,838
Income tax paid	(366)	(80)	–	–
Net cash flows provided by (used in) operating activities	2,638,069	(719,790)	2,980,252	(765,203)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Available-for-sale investments (Note 6)	(1,127,500)	(5,000,000)	(1,127,500)	(5,000,000)
Property and equipment (Note 10)	(162,510)	(5,027,130)	(35,650)	(4,931,988)
Investments in associates and subsidiary (Note 9)	–	–	(1,031,250)	(968,750)
Dividend received (Notes 6 and 9)	1,265,050	1,127,750	1,265,050	1,127,750
Disposal of property (Notes 11 and 19)	–	900,000	–	900,000
Net cash flows used in investing activities	(24,960)	(7,999,380)	(929,350)	(8,872,988)
CASH FLOWS FROM FINANCING ACTIVITIES				
Project assistance paid (Notes 13 and 19)	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)
Proceeds from issuance of capital stock	586,550	31,250	–	–
Interest paid (Notes 13 and 19)	(132,337)	(1,131,648)	(132,337)	(1,131,648)
Net cash flows used in financing activities	(2,045,787)	(3,600,398)	(2,632,337)	(3,631,648)
NET INCREASE (DECREASE) IN CASH	567,322	(12,319,568)	(581,435)	(13,269,839)
CASH AT BEGINNING OF YEAR	3,356,592	15,676,160	2,406,321	15,676,160
CASH AT END OF YEAR (Note 5)	₱3,923,914	₱3,356,592	₱1,824,886	₱2,406,321

See accompanying Notes to Financial Statements.



**CARD-BUSINESS DEVELOPMENT SERVICE FOUNDATION, INC.
AND A SUBSIDIARY**

NOTES TO FINANCIAL STATEMENTS

1. General Information

CARD-Business Development Service Foundation, Inc. (the Parent Company) is a nonstock, not-for-profit organization incorporated in the Philippines on January 11, 2008. The Parent Company 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 Parent Company also aims to build a professional and sustainable business development service that can respond to the needs of CARD-MRI micro-entrepreneur clients in promoting, developing and 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.

As a nonstock, not-for-profit organization operating for the promotion of social welfare, the Parent Company falls under Section 30 (g) of the National Internal Revenue Code, as amended by Republic Act No. 8424, under which income from activities in pursuit of which the Parent Company was organized, is generally exempt from tax. But income from its properties, real or personal, or from any activity conducted for profit is subject to income tax.

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

On February 15, 2014, the Board of Trustees (BOT) of the Parent Company approved the spin-off of Mga Likha ni Inay, Inc. (MLNI or the Subsidiary) from the Parent Company and the establishment of MLNI as a separate legal entity. The Parent Company holds 40.0% and 90.0% ownership interest over MLNI as of December 31, 2015 and 2014, respectively.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements include the financial statements of the Parent Company and its subsidiary (collectively referred to as the "the Group").

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 pesos. All values are rounded to the nearest peso unless otherwise indicated.

Statement of Compliance

The financial statements of the Group and the Parent Company have been prepared in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs).



Presentation of Financial Statements

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

The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Current versus Non-current Classification

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

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or
- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- Expected to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Basis of Consolidation

The consolidated financial statements of the Group are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

A subsidiary is an entity that is controlled by the Parent Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Control is presumed to exist when the Parent Company owns, directly or indirectly through the subsidiary more than half of the voting power of an entity. That presumption may be overcome in exceptional circumstances if it can be clearly demonstrated that such ownership does not constitute control. Control exists when the Parent Company owns half or less of the voting power of an entity but it has:

- a. power over more than half of the voting rights by virtue of an agreement with other investors;
- b. power to govern the financial and operating policies of the entity under a statute or an agreement;



- c. power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; or
- d. power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full in the consolidation.

A subsidiary is consolidated from the date on which control is transferred to the Parent Company and will cease to be consolidated from the date on which control is transferred out of the Parent Company.

The results of operations of the Subsidiary acquired or disposed of during the year are included in the statement of revenue over expenses from the date of acquisition or up to the date of disposal, as appropriate.

When the Parent Company ceases to control a subsidiary, the difference between the proceeds from the disposal of the Subsidiary and its carrying amount as at the date of disposal, is recognized in the statement of revenue over expenses as gain or loss on the disposal of the Subsidiary. If the Parent Company continues to hold an investment in the entity, it is accounted for as a financial asset, associate or jointly controlled entity depending on the nature of the investment. The carrying amount of the investment at the date it ceases to be a Subsidiary is the cost on initial measurement as a financial asset, associate or jointly controlled entity.

Non-controlling interests

Non-controlling interest (NCI) represents the portion of statement of revenue over expenses and the net assets not held by the Group and are presented separately in the consolidated statement of revenue over expenses and within fund balance in the consolidated statement of assets, liabilities and fund balance, separately from fund balance attributable to the Parent Company. Any losses applicable to the NCI in excess of the NCI are allocated against the interests of the NCI even if this results in the NCI having a deficit balance. Acquisitions of NCI are accounted for as equity transactions.

Significant Accounting Policies

Cash

Cash consists of petty cash fund, cash on hand and demand and savings account in banks that are highly liquid and readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

A financial asset or a financial liability is recognized only when the Group becomes a party to the contractual provisions of the instrument.

Initial recognition of financial instruments

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



Financial liabilities are classified into the following categories: financial liabilities at FVPL and financial liabilities 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, 2015 and 2014, the Group has no financial liabilities at FVPL.

Determination of fair value

Fair value is the price that would be received to sell an asset or that would be paid to transfer a liability in an orderly transaction between market participants under current market conditions (i.e., an exit price) at the measurement date.

The fair values for financial instruments traded in active markets at the reporting date are 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.

'Day 1' difference

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

Financial instruments designated at FVPL

Financial assets and financial liabilities are designated as FVPL by management on initial recognition when any of the following criteria is met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.



Financial instruments at FVPL are recorded in the balance sheet at fair value. Changes in fair value are recognized in 'Mark-to-market loss on FVPL' in the statement of revenue over expenses. Interest earned or incurred is recorded in 'Administrative fees' or 'Interest expense', respectively, while dividend income is recorded in 'Dividend income' when the right to receive payment has been established.

Financial assets that are debt instruments at amortized cost

This category includes receivables and cash in banks. 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 (EIR). The amortization on receivables is included in 'Administrative fees' in the statement of revenue over expenses. The losses arising from impairment are recognized in 'Provision for impairment, credit and inventory losses' under 'Project related expenses' in the statement of revenue over expenses.

Financial assets that are unquoted 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 as at FVPL and where the substance of the contractual arrangement results in the Group 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 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 only when:

- the contractual rights to the cash flows from the financial asset have expired or are settled; or
- the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the Group, 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 Group 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 Group has retained significant risks and rewards of ownership of the transferred asset, the Group 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 Group 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 consolidated statement of revenue over expenses.

Impairment of Financial Assets

The Group 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 EIR. If such a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR 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 Group would receive for the asset if it were to be sold at the reporting date.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to the 'Reversal of allowance for impairment losses' under 'Project related expenses' in the statement of revenue over expenses.

Inventories

The Group's inventories are products from its project assistance programs offered to CARD-MRI members.

Costs of inventories include all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The Group's inventories are accounted for on a first-in, first-out basis.

Net realizable value (NRV) is the estimated selling price in the ordinary course of operations, less the estimated costs necessary to make the sale, exchange, or distribution. Excess of cost of inventories over NRV is recognized in 'Provision for impairment, credit and inventory losses' under 'Project related expenses' in the statement of revenue over expenses.

Inventories are recognized as an expense when sold. The Group recognizes the carrying amount of those inventories as an expense in the period in which the related revenue is recognized.



Investment in Associates

Associates are entities over which the Parent Company has significant influence but not control, generally accompanying a shareholding of between 20.0% and 50.0% of the voting rights. Investments in associates are accounted for under the equity method of accounting.

Under the equity method, an investment in associate is carried in the statement of assets, liabilities and fund balance at cost plus post-acquisition changes in the Parent Company's share in the net assets of the associate. The Parent Company's share in an associate's post-acquisition earnings and other comprehensive income (OCI) are recognized in statement of revenue over expenses. Distributions received from an associate reduce the carrying amount of the investment. If the Parent Company's share of losses of an associate equals or exceeds the carrying amount of its investment in the associates, the Parent Company discontinues recognizing its share of further losses. After the Parent Company's interest is reduced to zero, the Parent Company shall recognize additional losses by a provision only to the extent that the Parent Company has incurred legal or constructive obligations or has made payment on behalf of the associate. If the associate subsequently reports profits, the Parent Company 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

Land is carried at cost less any impairment in value while depreciable property and equipment, which include 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 asset 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 estimated useful life of three years for office furniture, fixtures and equipment and transportation equipment.

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 as 'Other income' in the statement of revenue over expenses in the year the asset is derecognized.

Impairment of nonfinancial assets

At each reporting date, the Group assesses whether there is any indication that its nonfinancial assets (which include property and equipment, investments in subsidiary and associates) may be impaired. When an indicator of impairment exists, the Group 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 class 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.

Impairment of Inventories

At each reporting date, inventories are assessed for impairment, i.e., the amount is not fully recoverable because of damage, obsolescence or declining selling prices. The Group measures impairment loss by comparing the carrying amount of each item of inventory with its selling price less cost to sell. If an item of inventory is impaired, its carrying amount is reduced to selling price less cost to sell and an impairment loss is recognized immediately in the statement of income.

If an impairment loss subsequently reverses, the carrying amount of inventories is increased to the revised estimate or its recoverable amount but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (or group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in the statement of revenue over expenses.

Business Combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in operating expenses.

When the Parent Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the statement of revenue over expenses.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with Section 19 of PFRS for SMEs in the statement of revenue over expenses or as a change to OCI. If the contingent



consideration is classified as equity, it should not be remeasured until it is finally settled within the fund balance.

Goodwill is initially measured at cost being the excess of the aggregate of fair value of the consideration transferred and the amount recognized for NCI over the fair value of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the statement of revenue over expenses.

Fund Balance

Fund balance consists of all current and prior period results of operations and share of the Parent Company in the equity of MLNI. The Parent Company's earnings or assets shall not inure to the benefit of its trustees, organization officers, members or any specific person.

Acquisition of NCI in a Subsidiary

Acquisition of NCI is accounted for as an equity transaction, whereby the difference between the fair value of consideration given and the share in the net book value of the net assets acquired is recognized directly in the fund balance. When the consideration is less than the net assets acquired, the difference is recognized as a gain in the statement of revenue over expenses. In an acquisition without consideration involved, the difference between the share of the NCI in the net assets at book value before and after the acquisition is treated as transaction between equity owners.

Revenue Recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue can be measured reliably. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before the revenue is recognized:

Sales

Revenue from sale of goods is recognized upon delivery, when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable.

Grants

Grants are recognized when there is a reasonable assurance that the Group will comply with the conditions attached to them, and that the grants 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 they are recorded as 'Grants' in the statement of revenue over expenses.

Administrative fees and other income

Administrative fees and other income are recognized when earned. Other income pertains to income derived from airfare ticketing services and from materials used by CARD-MRI in implementing the programs.

Cost and Expense Recognition

Cost and expenses are recognized in the statement of revenue over expenses when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.



Cost and expenses are recognized in the statement of revenue over expenses:

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

Retirement Benefits

The Group is covered by a noncontributory defined benefit retirement plan, which requires contributions to be made to a separately administered fund.

The Group'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).

Group as a 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 by the Group as an expense under 'Rental' in the statement of revenue over expenses on a straight-line basis over the lease term.



Income Taxes

Current tax

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute that amount are those that are enacted or substantially enacted at the reporting date.

Deferred tax

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO). Deferred tax assets are measured at the highest amount that, on the basis of current or estimated future taxable profit, is more likely than not to be recovered.

The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustment is recognized in the statement of revenue over expenses.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (loss) of the periods in which it expects the deferred tax assets to be realized or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period. A valuation allowance is provided, on the basis of past years and future expectations, when it is not probable that taxable profits will be available against which the future income tax deductions can be utilized.

Provisions

Provisions are recognized when: (a) the Group has an obligation at the reporting date as a result of a past event; (b) it is probable (i.e., more likely than not) that the entity will be required to transfer economic benefits in settlement; (c) and the amount of the obligation can be estimated reliably. Where the Group expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

Contingent Liabilities and Contingent Assets

Contingent liabilities are not recognized in the Group's 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 Group's financial statements but are disclosed when an inflow of economic benefits is probable.

Events After the Reporting Period

Post-year-end events that provide additional information about the Group'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

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

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

Judgments

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

a. Operating leases - Group as lessee

The Group leases the premises it occupies under operating lease from its affiliates. The Group has determined based on an evaluation of the terms and conditions of the arrangements (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable and the lease term is not for the major part of the asset's economic life), that the lessor retains all the significant risks and rewards of ownership of these properties which are leased out under operating leases.

b. Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group 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 Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

c. Assessment of de facto control

The determination of control over another entity, other than the rebuttable presumption of ownership of more than half of the voting power requires significant judgment. In making judgment, the Parent Company evaluates existence of control based on Policy on Basis of Consolidation (See Note 2).

In 2015, the Parent Company's ownership on the Subsidiary was reduced to 40.0% from 90.0%. The Group assessed that it retains control of MLNI as voting rights of individual owners holding 48.8% ownership interest in MLNI were assigned to the Parent Company.

Estimates

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

a. Credit losses on receivables

The Group reviews its receivables to assess impairment annually. In determining whether an impairment loss should be recorded, the Group 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 individual customer or group of customers, or national or local economic conditions that correlate with defaults on the receivables.

The carrying value of the Group's receivables as at December 31, 2015 and 2014 is disclosed in Note 7. Details of allowance for credit losses of the Parent Company's receivables are disclosed in Note 7.

b. Impairment of AFS investments

The Group assesses impairment on all of its equity instruments regardless of significance. Impairment of such assets requires estimation since the Group will approximate the amount that it would receive for the asset sold at the reporting date.

The carrying values of the Group's equity investments at cost and allowance as at December 31, 2015 and 2014 are disclosed in Note 6.

c. Recoverability of financial assets designated at FVPL

The Group determines that recovery of financial assets designated at FVPL is not probable 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; and
- 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.

The Parent Company's financial asset designated at FVPL is fully impaired as at December 31, 2015 and 2014. Details are disclosed in Note 6.

d. Impairment of investment in subsidiary and associates

The Group assesses impairment on its investments in subsidiary and associates whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Among others, the factors that the Group considers important which could trigger an impairment review on its investments in subsidiary and associates include the following:

- deteriorating or poor financial condition;
- recurring net losses; and
- significant changes on the technological, market, economic, or legal environment which had an adverse effect on the associate during the period or in the near future, in which the associate operates.



The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

The carrying value of the investment in associates is disclosed in Note 9.

e. Impairment of property and equipment and inventories

The Group assesses impairment on property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group 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.

Similarly, at each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory with its selling price less cost to sell. If an item of inventory is impaired, its carrying amount is reduced to selling price less cost to sell and an impairment loss is recognized immediately in the statement of revenue over expenses.

The carrying values of the Group's inventories and property and equipment are disclosed in Notes 8 and 10, respectively.

f. Estimated useful lives of property and equipment

The Group estimates the useful lives of its property and equipment. This estimate is reviewed periodically to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from the items of property and equipment. The estimated useful lives of property and equipment are disclosed in Note 2.

g. 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 are 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 and fair value of plan asset are disclosed in Note 14.

4. Investment in MLNI

As an incorporator, the Parent Company subscribed on February 15, 2014 common shares of MLNI totaling to 11,250 which resulted to ownership of 90.0%.

In 2015, MLNI increased its capital available for subscription to ₱5.0 million. The Parent Company only acquired additional 8,750 common shares which resulted to a total of 20,000 shares representing 40.0% of MLNI. The remaining 60.0% interest in MLNI is held by a number of individuals. The reduction in ownership to 40.0% did not constitute a loss of control as the individuals assigned their voting rights to the Parent Company, thus retaining control of MLNI (Note 3). The Parent Company has elected to measure the NCI in the acquiree at fair value.

5. Cash

This account consists of:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Cash in banks (Note 19)	₱3,878,814	₱3,296,492	₱1,804,786	₱2,366,221
Cash on hand	45,100	60,100	20,100	40,100
	₱3,923,914	₱3,356,592	₱1,824,886	₱2,406,321

Cash in banks consist of current and savings accounts that earn annual interest ranging from 0.3% to 2.5% and from 0.3% to 1.5% in 2015 and 2014, respectively. Interest income under 'Other income' earned by the Group (which is mostly attributed to the Parent Company) amounted to ₱48,999 and ₱0.1 million in 2015 and 2014, respectively (Note 15).

6. Investment Securities

Financial asset at FVPL

This pertains to a 5-year 'financial assistance' loan granted in 2010 by the Parent Company to Microventures, Inc. (MVI), for the development of CARD-MRI 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. The Parent Company has the option to convert the loan to equity at the second year mark.

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.



Mark-to-market loss on financial asset at FVPL recognized in the statements of revenue over expenses amounted to ₱1.1 million in 2014, which fully impaired the investment.

AFS investments

The details of this account follow:

	2015	2014
Rags2Riches	₱5,000,000	₱5,000,000
BotiCARD, Inc., 9.0% shares owned (Note 8)	1,900,000	900,000
CARD MRI Information Technology, Inc. (CMIT), 8.5% shares owned	750,000	750,000
CARD MRI Insurance Agency (CAMIA) 2.0% shares owned (Note 8)	320,000	192,500
	7,970,000	6,842,500
Less allowance for impairment losses	1,750,000	-
	₱6,220,000	₱6,842,500

On December 1, 2014, the Parent Company has extended a convertible promissory note to Rags2Riches amounting to ₱5.0 million which bears interest of 5.0% per annum. The promissory note and related interest is payable in shares to be issued by Rags2Riches, where share price and number of shares to be issued will be based on the next equity financing of Rags2Riches. The shares are expected to be delivered on November 30, 2016. As of December 31, 2015, allowance for impairment losses on investment in Rags2Riches amounted to ₱1.8 million.

In 2015, the Parent Company purchased additional CAMIA and BotiCARD, Inc. shares totaling to 255 shares for ₱0.1 million and 200,000 shares for ₱1.0 million, respectively. Dividends received from AFS investments amounted to ₱0.1 million and ₱0.3 million in 2015 and 2014, respectively.

As of December 31, 2014, AFS investments include unquoted debt and equity securities in retail, information technology services and insurance entities.

7. Receivables

This account consists of:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Due from subsidiary, affiliates and associates (Note 19)	₱5,288,129	₱124,020	₱7,281,958	₱3,032,171
Receivable from employees	966,270	2,876,101	965,389	2,876,101
Receivable from members	-	15,580,355	-	15,580,355
Others	464,288	5,537,280	395,220	5,531,276
	6,718,687	24,117,756	8,642,567	27,019,903
Less allowance for credit losses	394,050	19,513,370	394,050	19,513,370
	₱6,324,637	₱4,604,386	₱8,248,517	₱7,506,533

Receivable from members earns annual nominal administrative fee ranging from 14.0% to 30.0% in 2015 and 2014 and with term of six (6) months. Interest income amounting to ₱77,240 and ₱0.4 million in 2015 and 2014, respectively, are included under 'Administrative fees' in the statement of revenue over expenses.



Others include receivables from agricultural trading program arising from marketing processed and unprocessed products of the members of CARD-MRI Group amounting to nil and ₱2.5 million as of December 31, 2015 and 2014, respectively.

Past due receivables from members amounted to nil and ₱14.9 million as of December 31, 2015 and 2014, respectively. In 2015, the receivable from members were written off due to the assessment made by the Parent Company that the probability of collection for these receivables is remote.

Changes in the allowance for credit losses of the Parent Company are as follows:

	2015	2014
Balance at beginning of year	₱19,513,370	₱12,140,018
Provision for credit losses (Note 16)	394,050	7,554,375
Accounts written-off	(18,793,208)	–
Recoveries	(720,162)	(181,023)
Balance at end of year	₱394,050	₱19,513,370

The Subsidiary assessed that there is no objective evidence that its outstanding receivables may not be recoverable.

Recoveries are recorded as ‘Other income’ in the statement of revenue over expenses.

8. Other Current Assets

This account consists of:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Inventories (Note 16)	₱8,115,864	₱8,463,158	₱6,609,481	₱5,992,762
Prepaid expenses	1,244,612	562,147	782,251	541,147
Prepaid subscription	–	589,500	–	589,500
	9,360,476	9,614,805	7,391,732	7,123,409
Less allowance for inventory losses	1,720,941	1,406,709	1,690,813	697,356
	₱7,639,535	₱8,208,096	₱5,700,919	₱6,426,053

As of December 31, 2015 and 2014, inventories include solar products, bamboos, muscovado sugar, handicrafts, kawayan products, woven fabrics, woodcrafts, leather works, ethnic accessories and groceries intended for sale.

Prepaid subscription represents deposit for future stock subscriptions to BotiCARD, Inc. and CAMIA amounting to ₱0.6 million as of December 31, 2014, which were fully applied and recorded as AFS investments in 2015 (Note 6).



Movements in allowance for inventory losses follow:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Balance at beginning of the year	₱1,406,709	₱294,301	₱697,356	₱294,301
Provisions (Note 16)	392,503	4,555,921	993,457	3,846,568
Write offs	(78,271)	(3,443,513)	–	(3,443,513)
	₱1,720,941	₱1,406,709	₱1,690,813	₱697,356

9. Investments in Subsidiary and Associates

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

	Consolidated		Parent Company	
	2015	2014	2015	2014
Acquisition cost				
Subsidiary:				
MLNI (40.0% and 90.0% shares owned in 2015 and 2014, respectively)	₱–	₱–	₱2,000,000	₱968,750
Associates:				
CARD Leasing and Finance Corporation (CLFC) (30.0% and 40.0% shares owned in 2015 and 2014, respectively)	21,000,000	28,000,000	21,000,000	28,000,000
MVI (30.0% shares owned)	4,000,000	4,000,000	4,000,000	4,000,000
	25,000,000	32,000,000	27,000,000	32,968,750
Accumulated equity in net earnings (losses):				
Balance at beginning of year	2,553,067	48,088	2,553,067	(2,213,895)
Share in total comprehensive income of associates	1,934,484	3,344,979	1,934,484	5,606,962
Dividends received	(1,120,000)	(840,000)	(1,120,000)	(840,000)
Balance at the end of the year	3,367,551	2,553,067	3,367,551	2,553,067
	28,367,551	34,553,067	30,367,551	35,521,817
Less allowance for impairment losses	1,786,105	1,786,105	1,786,105	1,786,105
Balance at end of year	₱26,581,446	₱32,766,962	₱28,581,446	₱33,735,712

MLNI

MLNI was registered with the Philippine Securities and Exchange Commission (SEC) on May 8, 2014. The main purpose of the MLNI is to engage in manufacturing, selling, advertising, promoting, consolidating, and trading of products of the members and clients of CARD-MRI Group.

In 2014, the Parent Company has an investment in MLNI amounting to ₱1.1 million which represents 90.0% ownership. In 2015, MLNI increased its capital available for subscription to ₱5.0 million. The Parent Company acquired additional 8,750 common shares which resulted to a total of 20,000 shares representing 40.0% of MLNI. The reduction in ownership interest is due to acquisition of remaining outstanding common shares of MLNI by other individual stockholders.



The reduction in ownership to 40.0% did not constitute a loss of control as other shareholders assigned their voting rights to the Parent Company, thus retaining control of MLNI (Note 4).

CLFC

CLFC was incorporated to extend credit facilities to consumer and industrial, commercial or agricultural enterprises by direct lending, or by discounting or factoring commercial papers or account receivables or by buying and selling contracts without quasi-banking activities. Its principal place of business is located in M. L. Quezon Street, City Subdivision, San Pablo City, Laguna.

In 2015, the Parent Company reduced its investment in CLFC from ₱28.0 million to ₱21.0 million. This led to a decrease in ownership of the Parent Company in CLFC from 40.0% to 30.0%.

Dividends received from CLFC amounted to ₱1.1 million and ₱0.8 million in December 31, 2015 and 2014, respectively.

MVI

MVI is responsible for creating a network among micro to small businesses, medium and large enterprises, and other supporting institutions. MVI aims to provide sustainable livelihood at the grassroots level, particularly focusing on introducing new businesses and supply chain strategies aimed at providing access to health services, and other basic commodities. Its principal place of business is located in 39-A N. Reyes Street, Varsity Hills, Quezon City, 1100 Metro Manila. Carrying amount of the investment in MVI before any impairment loss amounted to ₱1.8 million as of December 31, 2015 and 2014. Impairment loss recognized in the statements of revenue over expenses amounted to ₱1.8 million in 2013 which fully impaired the investment.

10. Property and Equipment

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

	Consolidated			Total
	Land	Transportation Equipment	Office Furniture, Fixtures and Equipment	
2015				
Cost				
Balance at beginning of year	₱4,800,000	₱2,146,051	₱1,744,822	₱8,690,873
Additions	-	-	162,510	162,510
Disposals	-	(1,067,351)	-	(1,067,351)
Balance at end of year	4,800,000	1,078,700	1,907,332	7,786,032
Accumulated Depreciation				
Balance at beginning of year	-	1,819,692	1,330,174	3,149,866
Depreciation (Note 16)	-	326,356	215,431	541,787
Disposals	-	(1,067,351)	-	(1,067,351)
Balance at end of year	-	1,078,697	1,545,605	2,624,302
Net Book Value at End of Year	₱4,800,000	₱3	₱361,727	₱5,161,730



Consolidated				
	Land	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
2014				
Cost				
Balance at beginning of year	₱-	₱2,146,051	₱1,575,691	₱3,721,742
Additions	4,800,000	-	227,130	5,027,130
Disposals	-	-	(57,999)	(57,999)
Balance at end of year	4,800,000	2,146,051	1,744,822	8,690,873
Accumulated Depreciation				
Balance at beginning of year	-	1,475,107	1,193,599	2,668,706
Depreciation (Note 16)	-	344,585	194,574	539,159
Disposals	-	-	(57,999)	(57,999)
Balance at end of year	-	1,819,692	1,330,174	3,149,866
Net Book Value at End of Year	₱4,800,000	₱326,359	₱414,648	₱5,541,007

Parent Company				
	Land	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
2015				
Cost				
Balance at beginning of year	₱4,800,000	₱2,146,051	₱1,649,680	₱8,595,731
Additions	-	-	35,650	35,650
Disposals	-	(1,067,351)	-	(1,067,351)
Balance at end of year	4,800,000	1,078,700	1,685,330	7,564,030
Accumulated Depreciation				
Balance at beginning of year	-	1,819,692	1,316,960	3,136,652
Depreciation (Note 16)	-	326,356	164,793	491,149
Disposals	-	(1,067,351)	-	(1,067,351)
Balance at end of year	-	1,078,697	1,481,753	2,560,450
Net Book Value at End of Year	₱4,800,000	₱3	₱203,577	₱5,003,580

Parent Company				
	Land	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
2014				
Cost				
Balance at beginning of year	₱-	₱2,146,051	₱1,575,691	₱3,721,742
Additions	4,800,000	-	131,988	4,931,988
Disposals	-	-	(57,999)	(57,999)
Balance at end of year	4,800,000	2,146,051	1,649,680	8,595,731
Accumulated Depreciation				
Balance at beginning of year	-	1,475,107	1,193,599	2,668,706
Depreciation (Note 16)	-	344,585	181,360	525,945
Disposals	-	-	(57,999)	(57,999)
Balance at end of year	-	1,819,692	1,316,960	3,136,652
Net Book Value at End of Year	₱4,800,000	₱326,359	₱332,720	₱5,459,079



As of December 31, 2015 and 2014, the cost of fully-depreciated property and equipment still in use amounted to ₱1.2 million.

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

	Consolidated		Parent Company	
	2015	2014	2015	2014
Project related expenses (Note 16)	₱353,627	₱378,680	₱353,627	₱378,680
Administrative expenses	188,160	160,479	137,522	147,265
	₱541,787	₱539,159	₱491,149	₱525,945

11. Other Noncurrent Assets

The movements of this account follow:

	2015	2014
Balance at beginning of the year	₱1,070,413	₱1,970,413
Disposals	–	(900,000)
Balance at end of year	1,070,413	1,070,413
Less allowance for impairment losses	170,413	170,413
	₱900,000	₱900,000

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

The allowance for impairment losses as of December 31, 2015 and 2014 pertains to provision on initial expenses on construction of townhouse in Dolores amounting to ₱0.2 million. The Parent Company abandoned its plan of constructing the townhouse.

12. Accounts Payable and Accrued Expenses

This account consists of:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Subscription payable (Note 19)	₱6,300,000	₱13,800,000	₱6,300,000	₱13,800,000
Accrued expenses	1,486,900	2,342,724	1,383,758	2,244,321
Accounts payable	996,180	906,060	649,797	560,098
VAT payable	87,384	114,490	–	–
Other payables	73,924	163,075	70,150	159,463
	₱8,944,388	₱17,326,349	₱8,403,705	₱16,763,882

As of December 31, 2015 and 2014, subscription payable includes liability for subscription to shares of stocks of CLFC amounting to ₱6.3 million and ₱13.8 million, respectively.

Accrued expenses include vacation leave credits, bonuses, professional fees, program monitoring and evaluation, and other expenses.

Accounts payable includes share of expenses for utilities and due to affiliates (Note 19).



13. Project Assistance Payable

This account represents the ₱10.0 million loans availed from Center for Agriculture and Rural Development (CARD), Inc. in 2011 for use by the Parent Company for its 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 rates. The interest rates applied are 3.0% and 3.0% to 5.0% in 2015 and 2014, respectively.

The distribution of interest expense incurred by the Parent Company (Note 19) follows:

	2015	2014
Project related expenses (Note 16)	₱95,283	₱814,787
Administrative expenses	37,054	316,861
	₱132,337	₱1,131,648

14. Retirement Benefits

The Group, CARD Bank, Inc., CARD Mutual Benefit Association (MBA), Inc., CARD SME Bank, Inc., CAMIA, Inc., CARD MRI Development Institute (CMDI), Inc., CMIT, BotiCARD, Inc., CLFC, CARD Employee Multi-Purpose Cooperative (EMPC) and CARD, Inc. maintain a funded and formal noncontributory defined benefit retirement plan – the MERP (the Plan) – covering all of their regular employees. The Plan has a projected unit cost format and is financed solely by the Group and its related parties. The Plan provides lump sum benefits equivalent to 120.0% 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 cost of defined benefit retirement plan as well as the present value of the defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The latest actuarial valuation study of the retirement plan was made as of December 4, 2015.

The principal assumptions used in determining pension for the defined benefit plans of the Group as of December 31, 2015 and 2014 are shown below:

	2015	2014
Discount rate	5.0%	4.5%
Future salary increases	10.0%	7.0%



Changes in the consolidated net defined benefit liability (asset) for 2015 and 2014 are as follow:

Consolidated													
2015													
	Net benefit cost in the statement of revenue over expenses						Remeasurements on retirement benefits***					Contribution by employer	December 31, 2015
	January 1, 2015	Current service cost	Net interest	Net pension expense*	Benefits paid	Transfer from (to) plan assets	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Changes in the effect of limiting net defined benefit to the asset ceiling	Subtotal**		
Present value of defined benefit obligation	₱9,067,336	₱830,084	₱404,403	₱1,234,487	₱-	(₱4,742,177)	₱-	(₱1,657,131)	₱1,972,698	₱-	₱315,567	₱-	₱5,875,213
Fair value of plan assets	(9,630,666)	-	(326,829)	(326,829)	-	4,742,177	79,796	-	-	-	79,796	(213,204)	(5,348,726)
Effects of asset ceiling	24,052	-	1,073	1,073	-	-	-	-	-	(14,781)	(14,781)	-	10,344
Net defined benefit liability (asset)	(₱539,278)	₱830,084	₱78,647	₱908,731	₱-	₱-	₱79,796	(₱1,657,131)	₱1,972,698	(₱14,781)	₱380,582	(₱213,204)	₱536,831

* Presented as 'Compensation and employee benefits' under project related and administrative expenses

** Presented as 'Actuarial gain' under project related and administrative expenses

***Recognized in the statement of revenue over expenses

Consolidated													
2014													
	Net benefit cost in the statement of revenue over expenses						Remeasurements on retirement benefits***					Contribution by employer	December 31, 2014
	January 1, 2014	Current service cost	Net interest	Net pension expense*	Benefits paid	Transfer from (to) plan assets	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Changes in the effect of limiting net defined benefit to the asset ceiling	Subtotal**		
Present value of defined benefit obligation	₱13,905,907	₱1,395,500	₱887,197	₱2,282,697	(₱154,190)	₱154,856	₱-	(₱1,246,021)	(₱5,875,913)	₱-	(₱7,121,934)	₱-	₱9,067,336
Fair value of plan assets	(7,139,426)	-	(524,017)	(524,017)	154,190	(154,856)	180,783	-	-	-	180,783	(2,147,340)	(9,630,666)
Effects of asset ceiling	-	-	-	-	-	-	-	-	-	24,052	24,052	-	24,052
Net defined benefit liability (asset)	₱6,766,481	₱1,395,500	₱363,180	₱1,758,680	₱-	₱-	₱180,783	(₱1,246,021)	(₱5,875,913)	₱24,052	(₱6,917,099)	(₱2,147,340)	(₱539,278)

* Presented as 'Compensation and employee benefits' under project related and administrative expenses

** Presented as 'Actuarial gain' under project related and administrative expenses

***Recognized in the statement of revenue over expenses



Changes in the Parent Company's net defined benefit liability (asset) for 2015 and 2014 are as follow:

Parent Company													
2015													
	Net benefit cost in the statement of revenue over expenses					Remeasurements on retirement benefits***							
	January 1, 2015	Current service cost	Net interest	Net pension expense*	Benefits paid	Transfer from (to) plan assets	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Changes in the effect of limiting net defined benefit to the asset ceiling	Subtotal**	Contribution by employer	December 31, 2015
Present value of defined benefit obligation	₱9,067,336	₱705,699	₱404,403	₱1,110,102	₱-	(₱4,964,077)	₱-	(₱2,129,288)	₱1,972,698	₱-	(₱156,590)	₱-	₱ 5,056,771
Fair value of plan assets	(9,630,666)	-	(326,829)	(326,829)	-	4,964,077	79,796	-	-	-	79,796	(213,204)	(5,126,826)
Effects of asset ceiling	24,052	-	1,073	1,073	-	-	-	-	-	(14,781)	(14,781)	-	10,344
Net defined benefit liability (asset)	(₱539,278)	₱705,699	78,647	₱784,346	₱-	₱-	₱79,796	(₱2,129,288)	₱1,972,698	(₱14,781)	(₱91,575)	(₱213,204)	(₱59,711)

* Presented as 'Compensation and employee benefits' under project related and administrative expenses

** Presented as 'Actuarial gain' under project related and administrative expenses

***Recognized in the statement of revenue over expenses

Parent Company													
2014													
	Net benefit cost in the statement of revenue over expenses					Remeasurements on retirement benefits***							
	January 1, 2014	Current service cost	Net interest	Net pension expense*	Benefits paid	Transfer from (to) plan assets	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Changes in the effect of limiting net defined benefit to the asset ceiling	Subtotal**	Contribution by employer	December 31, 2014
Present value of defined benefit obligation	₱13,905,907	₱1,395,500	₱887,197	₱2,282,697	(₱154,190)	₱154,856	₱-	(₱1,246,021)	(₱5,875,913)	₱-	(₱7,121,934)	₱-	₱9,067,336
Fair value of plan assets	(7,139,426)	-	(524,017)	(524,017)	154,190	(154,856)	180,783	-	-	-	180,783	(2,147,340)	(9,630,666)
Effects of asset ceiling	-	-	-	-	-	-	-	-	-	24,052	24,052	-	24,052
Net defined benefit liability (asset)	₱6,766,481	₱1,395,500	₱363,180	₱1,758,680	₱-	₱-	₱180,783	(₱1,246,021)	(₱5,875,913)	₱24,052	(₱6,917,099)	(₱2,147,340)	(₱539,278)

* Presented as 'Compensation and employee benefits' under project related and administrative expenses

** Presented as 'Actuarial gain' under project related and administrative expenses

***Recognized in the statement of revenue over expenses



The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions. The fair value of plan assets by each class as of the end of the reporting period are as follow:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Cash and cash equivalents	₱2,177,466	₱3,786,778	₱2,087,131	₱3,786,778
Quoted debt instruments	2,444,902	5,484,664	2,343,472	5,484,664
Mutual funds	41,720	90,528	39,989	90,528
Loans receivable	564,825	–	541,393	–
Other assets	119,813	268,696	114,841	268,696
	₱5,348,726	₱9,630,666	₱5,126,826	₱9,630,666

The plan assets have diverse investments and do not have any concentration risk.

15. Other Income

This account consists of:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Interest income from short term deposits	₱48,999	₱142,158	₱47,170	₱141,838
Service fee	1,503,415	–	–	–
Recoveries from accounts written-off	720,162	297,326	720,162	297,326
Reversal of inventory losses	600,954	–	–	–
Other income	940,253	188,219	940,253	4,116,218
	₱3,813,783	₱627,703	₱1,707,585	₱4,555,382

Other income mainly consists of income from ‘Luntiang Bukid ni Inay Program’.

16. Project Related Income and Expenses

The income account consists of income generated from product and project development programs implemented by the Group for its clients and members.

The expense account consists of:

	Consolidated		Parent Company	
	Years Ended December 31			
	2015	2014	2015	2014
Cost of sales	₱8,153,242	₱10,217,567	₱–	₱–
Provision for impairment, credit and inventory losses (Notes 6, 7, 8 and 11)	3,137,507	12,280,709	3,137,507	11,571,356
Compensation and employee benefits (Notes 14 and 19)	3,996,489	7,999,052	3,996,489	7,999,052
Repairs and maintenance	2,100,593	1,060,730	2,100,593	1,060,730
Transportation and travel	1,592,014	1,642,618	1,592,014	1,642,618
(Forward)				



	Consolidated		Parent Company	
	Years Ended December 31			
	2015	2014	2015	2014
Program monitoring and evaluation	₱1,564,071	₱1,391,113	₱1,564,071	₱1,391,113
Rental (Notes 16 and 19)	1,288,864	846,451	1,288,864	846,451
Research and documentation	677,376	–	677,376	–
Seminars and meetings	664,488	592,186	664,488	592,186
Training and development	560,333	592,940	560,333	592,940
Supplies and materials	491,076	526,166	491,076	526,166
Utilities	418,376	356,690	418,376	356,690
Depreciation (Note 10)	353,627	378,680	353,627	378,680
Insurance	351,840	113,279	351,840	113,279
Janitorial, messengerial and security	338,842	298,331	338,842	298,331
Management and professional fees	292,554	608,766	292,554	608,766
Information technology	200,924	159,679	200,924	159,679
Interest (Notes 13 and 19)	95,283	814,787	95,283	814,787
Communication	82,445	244,900	82,445	244,900
Actuarial gain (Note 14)	(65,934)	(4,980,311)	(65,934)	(4,980,311)
Miscellaneous	939,767	672,779	939,767	672,779
	₱27,233,777	₱35,817,112	₱19,080,535	₱24,890,192

The rollforward analysis of consolidated cost of sales follows:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Inventories at beginning of period (Note 8)	₱8,463,158	₱12,453,199	₱5,992,762	₱5,197,821
Purchases during the period	7,805,948	6,227,526	616,719	794,941
Inventories available for sale	16,269,106	18,680,725	6,609,481	5,992,762
Inventories at end of period (Note 8)	(8,115,864)	(8,463,158)	(6,609,481)	(5,992,762)
Cost of sales	₱8,153,242	₱10,217,567	₱–	₱–

Miscellaneous includes renewal of business permits and licenses, supervision and examination.

17. Lease Contracts

As a Lessee

The Group 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 Group and the lessors.

The future aggregate minimum lease payments within one year under non-cancelable operating leases are as follows:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Not later than one year	₱909,528	₱602,759	₱567,948	₱602,759
Later than one year and not later than five years	413,472	286,434	168,000	286,434
	₱1,323,000	₱889,193	₱735,948	₱889,193



The total rent expenses recognized in 2015 and 2014 amounted to ₱1.9 million and ₱1.5 million, respectively in the consolidated statement of revenue over expenses, and ₱0.5 million and ₱1.2 million respectively in the Parent Company's statement of revenue over expenses.

18. Income Taxes

Current tax regulations provide that RCIT rate shall be 30.0%. Interest expense allowed as a deductible expense is reduced by 33.0% of interest income subjected to final tax. In addition, effective September 1, 2002, Revenue Regulation No. 10-2002 provides for the ceiling on the amount of Entertainment, amusement and recreation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulation, EAR allowed as a deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.0% of net revenue for companies engaged in the sale of services. EAR paid or incurred in 2015 and 2014 both amounted to nil.

An MCIT of 2.0% on modified gross income is computed and compared with RCIT. Any excess of MCIT over RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. Imposition of MCIT will commence on the Subsidiary's fourth taxable year immediately following the year in which the Subsidiary commenced its business operations. The Subsidiary is not yet eligible for MCIT being in its second year of operation.

The provision for income tax consists of final tax paid for interest income earned from cash in bank amounting to ₱366 and ₱80 in 2015 and 2014, respectively.

Reconciliation between the statutory income tax and the effective income tax of the Subsidiary follows:

	2015	2014
Statutory income tax	₱50,288	(₱495,088)
Tax effects of:		
Valuation allowance for deferred tax assets	(49,739)	495,208
Income subject to final tax	(183)	(40)
Provision for income tax	₱366	₱80

19. Related Party Transactions

Related party transactions pertain to transfers of resources, services or obligations between related parties, regardless of whether a price is charged. Related party transactions are recorded upon actual transfer of resources, services or obligations. Related party transactions are reported under 'Receivables' or 'Accounts payable and accrued expenses' accounts in the statement of assets, liabilities and fund balance, as appropriate.

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 and are generally settled in cash.



Transactions with retirement plans

Under PFRS, certain post-employment benefit plans are considered as related parties. MERP is managed by the 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 Section 33, *Related Party Disclosure* of PFRS for SMEs.

The compensation of key management personnel included under ‘Compensation and employee benefits’ in the consolidated statements of revenue over expenses are as follows:

	2015	2014
Short-term employee benefits	₱2,356,684	₱3,525,155
Post-employment benefits	587,450	529,432
	₱2,944,134	₱4,054,587

Other related party transactions

Transactions between the Group and its affiliates within the CARD MRI also qualify as related party transactions.

Related party transactions of the Group by category of related party are presented below:

Category	2015		Nature, Terms and Conditions
	Amount/ Volume	Outstanding Balance	
Consolidated Statements of Assets, Liabilities and Fund Balance			
Affiliates¹			
Cash in bank		₱802,916	This pertains to checking and savings account with annual interest rate ranging from 0.5% to 1.8%.
Deposit	₱29,865,051		
Withdrawal	(29,941,604)		
Due from affiliates		5,221,910	This pertains to receivables from sale of solar products on account (unimpaired, due and demandable).
Billings	38,164,751		
Collections	(33,066,861)		
Accounts payable		227,253	This pertains to shared expenses on utilities and expenses during seminars and meetings
Billings	1,503,792		
Payments	(1,388,058)		
Project assistance payable		1,250,000	This pertains to loans availed from CARD, Inc. for the Group’s working capital requirements.
Converted to grants	-		
Payments	(2,500,000)		
Associates²			
Due from associates		66,219	This pertains to the shared expenses shouldered by the Group (unimpaired, due and demandable).
Billings	693,215		
Collections	(626,996)		
Accounts payable		387,061	This pertains to the unpaid shared expenses shouldered by the affiliates.
Billings	573,084		
Payments	(186,023)		
Subscription payable		6,300,000	This pertains to unpaid subscribed shares from CLFC (Note 12).
Payments	-		
Withdrawal	(7,500,000)		
(Forward)			



2015			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Consolidated Statements of Revenue over Expenses			
Affiliates			
Grants	₱25,000,000		This pertains to grants from CARD, Inc. for the Group's operations.
Rent expense	243,874		This pertains to the Group's lease on its branches and staff houses.
Interest expense	132,337		This pertains to interest expense on project assistance payable which bears an annual interest based on market lending rate (Note 13).

¹This pertains to CARD Bank, CARD SME, CARD, Inc. MLNI and CMDI.

² This pertains to CLFC and MVI.

2015			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Parent Company Statements of Assets, Liabilities and Fund Balance			
Subsidiary			
Due from subsidiary		₱2,191,063	This pertains to the shared expenses shouldered by the Parent Company (unimpaired, due and demandable).
Billings	₱1,985,992		
Collections	(2,709,875)		
Due to MLNI		69,530	This pertains to the unremitted collection made on behalf of MLNI (due and demandable).
Billings	1,544,039		
Payments	(1,662,120)		
Affiliates			
Cash in bank		802,916	This pertains to checking and savings account with annual interest rate ranging from 0.5% to 1.8%.
Deposit	29,865,051		
Withdrawal	(29,941,604)		
Due from affiliates		5,024,676	This pertains to receivables from sale of solar products on account (unimpaired, due and demandable).
Billings	10,721,900		
Collections	(5,814,449)		
Accounts payable		191,266	This pertains to shared expenses on utilities and expenses during seminars and meetings.
Billings	862,679		
Payments	(780,544)		
Project assistance payable		1,250,000	This pertains to loans availed from CARD, Inc. for the Parent Company's working capital requirements.
Converted to grants	-		
Payments	(2,500,000)		
Associates			
Due from associates		66,219	This pertains to the shared expenses shouldered by the Parent Company (unimpaired, due and demandable).
Billings	693,215		
Collections	(626,996)		
Accounts payable		387,061	This pertains to the unpaid shared expenses shouldered by the affiliates.
Billings	573,084		
Payments	(186,023)		
Subscription payable		6,300,000	This pertains to unpaid subscribed shares from CLFC.
Payments	-		
Withdrawal	(7,500,000)		

(Forward)



2015			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Parent Company Statements of Assets, Liabilities and Fund Balance			
Affiliates			
Grants	₱25,000,000		This pertains to grants from CARD, Inc. for the Parent Company's operations.
Rent expense	243,874		This pertains to the Parent Company's lease on its branches and staff houses.
Interest expense	132,337		This pertains to interest expense on project assistance payable which bears an annual interest based on market lending rate.

¹This pertains to CARD Bank, CARD SME, CARD, Inc. MLNI and CMDI.

² This pertains to CLFC and MVI.

2014			
Category	Amount / Volume	Outstanding Balance	Nature, Terms and Conditions
Consolidated Statements of Assets, Liabilities and Fund Balance			
Affiliates¹			
Cash in bank		₱879,469	This pertains to checking and savings account with annual interest rate ranging from 0.3% to 1.5%.
Deposit	₱36,572,228		
Withdrawal	(44,332,270)		
Due from affiliates		124,020	This pertains to receivables from sale of solar products on account (unimpaired, due and demandable).
Billings	24,396,509		
Collections	(26,078,088)		
Accounts payable		111,519	This pertains to shared expenses on utilities and expenses during seminars and meetings.
Billings	498,694		
Payments	(439,534)		
Project assistance payable		3,750,000	This pertains to loans availed from CARD, Inc. for the Group's working capital requirements.
Converted to grants	(26,616,857)		
Payments	(2,500,000)		
Associates²			
Accounts receivable		-	This pertains to the shared expenses shouldered by the Group (unimpaired, due and demandable).
Billings	532,884		
Collections	(542,181)		
Accounts payable		-	This pertains to the unpaid shared expenses shouldered by the affiliates.
Billings	369,538		
Payments	(369,538)		
Subscription payable		13,800,000	This pertains to unpaid subscribed shares from CLFC (Note 12).
Payments	(200,000)		
Withdrawal	(7,750,000)		

Consolidated Statements of Revenue over Expenses

Affiliates			
Grants	₱41,416,857		This pertains to grants from CARD, Inc. for the Group's operations. Land donation during the year amounted to ₱4.8 million.
Rent expense	176,960		This pertains to the Group's lease on its branches and staff houses.
Interest expense	1,131,648		This pertains to interest expense on project assistance payable which bears an annual interest based on market lending rate (Note 13).

¹This pertains to CARD Bank, CARD SME, CARD, Inc. MLNI and CMDI.

² This pertains to CLFC and MVI.



2014

Category	Amount / Volume	Outstanding Balance	Nature, Terms and Conditions
Parent Company Statements of Assets, Liabilities and Fund Balance			
Subsidiary			
Due from subsidiary		₱2,914,946	This pertains to the shared expenses shouldered by the Parent Company (unimpaired, due and demandable).
Billings	₱4,061,028		
Payments	(1,146,082)		
Due to MLNI		187,611	This pertains to the unremitted collection made on behalf of MLNI (due and demandable).
Billings	1,476,665		
Payments	(1,289,054)		
Affiliates			
Cash in bank		879,469	This pertains to checking and savings account with annual interest rate ranging from 1.0% to 1.5%.
Deposit	36,572,228		
Withdrawal	(44,332,270)		
Due from affiliates		117,225	This pertains to receivables from sale of solar products on account (unimpaired, due and demandable).
Billings	24,065,679		
Collections	(25,754,053)		
Accounts payable		109,131	This pertains to shared expenses on utilities and expenses during seminars and meetings.
Billings	496,306		
Payments	(439,534)		
Project assistance payable		3,750,000	This pertains to loans availed from CARD, Inc. for the Parent Company's working capital requirements.
Converted to grants	(26,616,857)		
Payments	(2,500,000)		
Associates			
Accounts receivable		–	This pertains to the shared expenses shouldered by the Parent Company (unimpaired, due and demandable).
Billings	532,884		
Collections	(542,181)		
Accounts payable		–	This pertains to the unpaid shared expenses shouldered by the affiliates.
Billings	369,538		
Payments	(369,538)		
Subscription payable		13,800,000	This pertains to unpaid subscribed shares from CLFC and CMIT.
Payments	(200,000)		
Withdrawal	(7,750,000)		
Parent Company Statements of Revenue and Expenses and Changes in Fund Balance			
Affiliates			
Grants	₱41,416,857		This pertains to grants from CARD, Inc. for the Parent Company's operations. Land donation during the year amounted to ₱4.8 million.
Rent expense	176,960		This pertains to the Parent Company's lease on its branches and staff houses.
Interest expense	1,131,648		This pertains to interest expense on project assistance payable which bears an annual interest based on market lending rate.

¹This pertains to CARD Bank, CARD SME, CARD, Inc. MLNI and CMDI.

² This pertains to CLFC and MVI.



20. Notes to Statement of Cash Flows

The following is the summary of the noncash activities of the Parent Company:

	2015	2014
Noncash investing activities:		
Assignment of equity investments at cost	₱-	₱7,750,000
Transfer of prepaid subscription to available for sale investments	589,500	-
Subscription to CLFC shares on account (Note 8)	(7,000,000)	5,992,762
Noncash financing activity:		
Project assistance payable converted to grants	-	26,616,857

21. Approval for the Release of Financial Statements

The accompanying consolidated company financial statements were reviewed and approved for release by the Group's BOT on March 11, 2016.

22. Supplementary Information Required Under Revenue Regulations 15-2010

On November 25, 2010, the BIR issued RR 15-2010 to amend certain provisions of RR 21-2002 which provides that starting 2010, the notes to the financial statements shall include information on taxes and licenses paid or accrued during the year.

The Parent Company reported and/or paid the following taxes in 2015:

Business permits and licenses	₱17,356
Real property tax	7,060
Others	5,060
	<u>₱29,476</u>

The taxes and licenses paid are included under 'Miscellaneous expenses' under project related and administrative expenses in the statement of revenue over expenses.

Tax Assessment and Cases

The Group did not receive any final tax assessments in 2015 nor did it have tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the administration of BIR.

