

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

Consolidated Financial Statements
December 31, 2016 and 2015

and

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
CARD-Business Development Service Foundation, Inc. and a Subsidiary

Report on the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of CARD-Business Development Service Foundation, Inc. (the Foundation or the Parent Company) and Subsidiary (the Group), and the parent company financial statements of the Foundation, which comprise the consolidated and parent company statements of assets, liabilities and fund balance as at December 31, 2016 and 2015, and the consolidated and parent company statements of revenue over expenses, consolidated and parent company statements of changes in fund balance, and consolidated and parent company statements of cash flows for the years then ended, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and parent company financial statements present fairly, in all material respects, the assets, liabilities and fund balance of the Group and the Parent Company as at December 31, 2016 and 2015, 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 (PFRSs for SMEs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated and parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated and parent company financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated and parent company financial statements, management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Parent Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Parent Company internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.



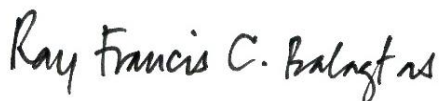
- Evaluate the overall presentation, structure and content of the consolidated and parent company financial statements, including the disclosures, and whether the consolidated and parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 26 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 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. 5908666, January 3, 2017, Makati City

March 18, 2017



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

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

	Consolidated		Parent Company	
	December 31			
	2016	2015	2016	2015
ASSETS				
Current Assets				
Cash (Notes 4 and 18)	₱17,807,571	₱3,923,914	₱9,709,949	₱1,824,886
Receivables (Notes 6 and 18)	9,246,089	6,324,637	13,088,477	8,248,517
Other current assets (Note 7)	6,977,194	7,639,535	494,630	5,700,919
	34,030,854	17,888,086	23,293,056	15,774,322
Noncurrent Assets				
Available-for-sale investments (Note 5)	3,415,300	6,220,000	3,415,300	6,220,000
Investments in a subsidiary and associates (Note 8)	30,961,549	26,581,446	32,994,799	28,581,446
Property and equipment (Note 9)	505,756	5,161,730	95,204	5,003,580
Investment property (Note 9)	4,800,000	—	4,800,000	—
Retirement asset (Note 13)	1,657,053	—	1,657,053	59,711
Other noncurrent assets (Note 10)	211,088	900,000	173,000	900,000
	41,550,746	38,863,176	43,135,356	40,764,737
	₱75,581,600	₱56,751,262	₱66,428,412	₱56,539,059
LIABILITIES AND EQUITY				
Liabilities				
Current Liabilities				
Accounts payable and accrued expenses (Note 11)	₱14,917,650	₱8,944,388	₱7,132,401	₱8,403,705
Project assistance payable (Notes 12 and 18)	—	1,250,000	—	1,250,000
	14,917,650	10,194,388	7,132,401	9,653,705
Noncurrent Liability				
Retirement liability (Note 13)	148,728	536,831	—	—
	15,066,378	10,731,219	7,132,401	9,653,705
Fund Balance				
Fund balance attributable to Parent Company	58,809,400	45,466,923	59,296,011	46,885,354
Non-controlling interest	1,705,822	553,120	—	—
Total Fund Balance	60,515,222	46,020,043	59,296,011	46,885,354
	₱75,581,600	₱56,751,262	₱66,428,412	₱56,539,059

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			
	2016	2015	2016	2015
REVENUES				
Sales (Note 18)	₱37,988,804	₱9,531,439	₱–	₱–
Grants (Note 18)	20,000,000	25,000,000	20,000,000	25,000,000
Dividend income (Note 5)	181,838	145,050	181,838	145,050
Other income (Note 14)	2,657,453	3,902,816	662,517	1,796,618
	60,828,095	38,579,305	20,844,355	26,941,668
EXPENSES				
Project related expenses (Note 15)	36,686,030	27,233,777	10,579,899	19,080,535
Compensation and employee benefits (Notes 13 and 18)	2,418,638	2,567,014	1,204,047	1,554,190
Outsourced services	1,801,981	243,170	–	–
Supplies and materials	1,654,675	508,095	188,091	190,974
Transportation and travel	1,327,829	802,818	300,743	619,117
Actuarial losses (gains) (Notes 13 and 15)	(1,017,458)	446,516	(513,090)	(25,641)
Rental (Note 16)	1,000,540	643,083	118,006	501,225
Information technology	667,733	95,696	68,800	78,137
Repairs and maintenance	652,361	844,328	88,504	816,897
Training and development	531,492	226,867	44,301	217,907
Program monitoring and evaluation	493,663	688,347	62,182	608,250
Management and professional fees	304,585	328,145	2,437	113,771
Interest (Notes 12 and 18)	265,169	37,054	4,609	37,054
Seminars and meetings	254,774	347,226	161,562	258,412
Utilities	247,132	208,137	87,186	162,702
Depreciation (Note 9)	220,193	188,160	30,345	137,522
Communication	165,179	152,972	14,702	32,062
Janitorial, messengerial and security	138,407	131,772	138,407	131,772
Miscellaneous	2,000,764	1,057,432	215,648	765,713
	49,813,687	36,750,609	12,796,379	25,280,599
EXCESS OF REVENUE OVER EXPENSES BEFORE SHARE IN NET INCOME OF ASSOCIATES				
	11,014,408	1,828,696	8,047,976	1,661,069
SHARE IN TOTAL COMPREHENSIVE INCOME OF ASSOCIATES (Note 8)				
	4,380,103	1,934,484	4,380,103	1,934,484
EXCESS OF REVENUE OVER EXPENSES BEFORE INCOME TAX				
	15,394,511	3,763,180	12,428,079	3,595,553
PROVISION FOR INCOME TAX (Note 17)				
	866,082	12,159	17,422	11,793
EXCESS OF REVENUE OVER EXPENSES				
	₱14,528,429	₱3,751,021	₱12,410,657	₱3,583,760
ATTRIBUTABLE TO:				
Parent Company	₱13,342,477	₱3,650,664		
Non-controlling interest (Note 8)	1,185,952	100,357		
	₱14,528,429	₱3,751,021		

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	Total	Fund Balance
Balance at January 1, 2016	₱45,466,923	₱553,120	₱46,020,043	₱46,885,354
Decrease of non-controlling interest in Mga Likha Ni Inay	—	(33,250)	—	—
Excess of revenue over expenses	13,342,477	1,185,952	14,528,429	12,410,657
Balance at December 31, 2016	₱58,809,400	₱1,705,822	₱60,481,972	₱59,296,011
Balance at January 1, 2015	₱41,816,259	(₱133,787)	₱41,682,472	₱43,301,594
Increase of non-controlling interest in Mga Likha Ni Inay	—	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

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			
	2016	2015	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess of revenue over expenses before income tax	₱15,394,511	₱3,763,180	₱12,428,079	₱3,595,553
Adjustments for:				
Provision for impairment, credit and inventory losses (Notes 5, 6 and 7)	5,129,211	2,536,553	4,880,382	3,137,507
Share in net income of associates (Note 8)	(4,380,103)	(1,934,484)	(4,380,103)	(1,934,484)
Retirement expense, net of contributions (Note 13)	291,678	695,527	235,124	571,142
Depreciation (Notes 9 and 15)	298,224	541,787	108,376	491,149
Actuarial loss (gain) (Notes 13 and 15)	(2,336,834)	380,582	(1,832,466)	(91,575)
Dividend income (Note 5)	(181,838)	(145,050)	(181,838)	(145,050)
Interest expense (Notes 12, 15 and 18)	277,022	132,337	16,462	132,337
Interest income on deposits (Notes 4 and 18)	(91,021)	(48,999)	(87,112)	(47,170)
Grants (Note 18)	(20,000,000)	(25,000,000)	(20,000,000)	(25,000,000)
Operating income before working capital changes	(5,599,150)	(19,078,567)	(8,813,096)	(19,290,591)
Changes in operating assets and liabilities:				
Decrease (increase) in amount of:				
Receivables	(2,585,048)	988,257	(449,025)	(1,136,034)
Inventories	(4,840,921)	—	—	—
Other assets	4,888,778	176,058	4,878,722	(268,323)
Increase (decrease) in amount of Accounts payable and accrued expenses	9,576,733	(4,484,519)	(1,461,804)	(1,360,177)
Net cash flows generated from (used in) operations	1,440,392	(22,398,771)	(5,878,453)	(22,055,125)
Interest received	91,021	48,999	87,112	47,170
Income tax paid	(866,082)	(12,159)	(17,422)	(11,793)
Net cash flows provided by (used in) operating activities	665,331	(22,361,931)	(5,775,513)	(22,019,748)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Available-for-sale investments (Note 5)	(254,800)	(1,127,500)	(254,800)	(1,127,500)
Property and equipment (Note 9)	(442,250)	(162,510)	—	(35,650)
Investments in associates and subsidiary (Note 8)	—	—	—	(1,031,250)
Dividend received (Notes 5 and 8)	181,838	1,265,050	181,838	1,265,050
Net cash flows used in investing activities	(515,212)	(24,960)	(72,962)	(929,350)
CASH FLOWS FROM FINANCING ACTIVITIES				
Grants received	15,000,000	25,000,000	15,000,000	25,000,000
Payments of project assistance payable (Notes 12 and 18)	(1,250,000)	(2,500,000)	(1,250,000)	(2,500,000)
Increase in non-controlling interest	—	586,550	—	—
Interest paid (Notes 12 and 18)	(16,462)	(132,337)	(16,462)	(132,337)
Net cash flows provided by financing activities	13,733,538	22,954,213	13,733,538	22,367,663
NET INCREASE (DECREASE) IN CASH	13,883,657	567,322	7,885,063	(581,435)
CASH AT BEGINNING OF YEAR	3,923,914	3,356,592	1,824,886	2,406,321
CASH AT END OF YEAR (Note 4)	₱17,807,571	₱3,923,914	₱9,709,949	₱1,824,886

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, 2015, the Board of Trustees (BOT) of the Parent Company approved the spin-off of Mga Likha ni Inay, Inc. (MLNI or the Subsidiary) resulting to a total of 40% ownership of the Parent Company. In 2016, certain stockholders transferred their 4% ownership to the Parent Company resulting to a 44% ownership.

2. Basis of Preparation, Statement of Compliance and 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 Group").

The accompanying financial statements have been prepared using the historical cost basis and are presented in Philippine pesos. All values are rounded to the nearest peso.

Statement of Compliance

The consolidated and parent company financial statements have been prepared in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs).



For the recognition and measurement of financial instruments, the Group opted to apply the provisions of Philippine Accounting Standards 39, *Financial Instruments: Recognition and Measurement* of full PFRS.

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.

Current versus Noncurrent 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 noncurrent.

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 noncurrent.

Deferred tax assets and liabilities are classified as noncurrent 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.



- d. 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
- e. 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 includes cash on hand and in bank and is carried in the statement of assets, liabilities and fund balance at nominal amount. Cash in bank represents demand, savings and time deposit in a bank that earns interest at the respective bank deposit rates.

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 assets and financial liabilities 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, financial assets that are unquoted equity instruments at cost less



impairment, and loan commitments at cost less impairment. Financial liabilities are classified into the following categories: financial liabilities at FVPL and financial liabilities at amortized cost.

The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. Management determines the classification at initial recognition and re-evaluates such designation, where allowed and appropriate, at every reporting date.

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 of December 31, 2016 and 2015, the Group has no loan commitments at cost less impairment, financial instruments at FVPL and financial assets that are unquoted equity instruments at cost less impairment.

Financial assets that are debt instruments at amortized cost

This category includes receivables and cash in bank. 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.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

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 and are stated at the lower of cost and net realizable value (NRV).

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.

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.

Prepayments

Prepayments represent expenses not yet incurred but are already paid in cash. These are measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

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

Property 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 import duties, taxes and any 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 to operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the



expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the item. All other repair and maintenance expenses are charged to current operations as incurred.

Depreciation is calculated on a straight-line basis over the useful life of three (3) years. The useful life and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from the asset.

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

When items of property and equipment are retired or otherwise disposed of, their cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the statement of income in the year the items are sold or retired.

Fully depreciated assets are still carried in the accounts until they are no longer in use.

Investment Property

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such asset cannot be reliably measured in which case the investment property acquired is measured at the carrying amount of the asset given up.

Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation (for depreciable investment properties) and any impairment in value.

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

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

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

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, investment property, 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 revenue over expenses.

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.

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 reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts and sales tax. The Group is acting as a principal in all its arrangement transactions.



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.

Dividends

Dividend income is recognized when the Parent Company's right to receive payment is established.

Interest income

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

Administrative fees and other income

Administrative fees and other income are recognized when earned. Other income pertains to income derived from airfare ticketing services.

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 Judgment and Estimates

The preparation of financial statements in accordance with PFRS for SMEs requires the Group to make judgment 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 judgment and estimates are reflected in the financial statements as they become reasonably determinable.

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

Judgment

Management makes judgment in the process of applying the Group's accounting policies. Judgment that have significant effect on the reported amounts in the consolidated financial statements is discussed below.

a. 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 2016 and 2015, the Parent Company's ownership on the Subsidiary is 44.0% and 40.0%, respectively. 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, 2016 and 2015 is disclosed in Note 6. Details of allowance for credit losses of the Parent Company's receivables are disclosed in Note 6.

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 had it been sold at the reporting date.

The carrying values of the Group's equity investments at cost and allowance as at December 31, 2016 and 2015 are disclosed in Note 5.

c. Impairment of inventories

The Group assesses impairment on inventories 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 is disclosed in Note 7.

d. 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 13.

4. Cash

This account consists of:

	Consolidated		Parent Company	
	2016	2015	2016	2015
Cash on hand	₱45,100	₱45,100	₱20,100	₱20,100
Cash in banks (Note 18)	17,762,471	3,878,814	9,689,849	1,804,786
	₱17,807,571	₱3,923,914	₱9,709,949	₱1,824,886

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 2016 and 2015, respectively. In addition, cash in banks also include time deposit which bears annual interest of 4%. Interest income under 'Other income' earned by the Group (which is mostly attributed to the Parent Company) amounted to ₱0.09 million and ₱0.05 million in 2016 and 2015, respectively (Note 14).

5. 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 the first installment due after the expiration of the two-year grace period. The Parent Company has the option to convert the loan to equity in the second year of the loan. The Parent Company did not exercise this option.

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:

	2016	2015
Rags2Riches	₱5,000,000	₱5,000,000
BotiCARD, Inc., 9.0% shares owned	1,900,000	1,900,000
CARD MRI Information Technology, Inc. (CMIT), 8.5% shares owned	908,300	750,000
CARD MRI Insurance Agency (CAMIA) 2.0% shares owned	607,000	320,000
	8,415,300	7,970,000
Less allowance for impairment losses	5,000,000	1,750,000
	₱3,415,300	₱6,220,000

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 the 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, 2015. In 2015, provision for impairment losses on investment in Rags2Riches amounted to ₱1.75 million. As of December 31, 2016, an additional ₱3.25 million is provided by the Foundation, which fully impaired the investment.

In 2016, the Parent Company subscribed to additional 424 CAMIA for ₱0.21 million and 1,583 CMIT shares. The Parent Company paid ₱0.16 million for its additional share investment in CMIT and ₱0.10 million (net of subscription payable of ₱0.08 million) for CAMIA shares. Dividends received from AFS investments amounted to ₱0.18 million and ₱0.15 million in 2016 and 2015, respectively.

6. Receivables

This account consists of:

	Consolidated		Parent Company	
	2016	2015	2016	2015
Due from subsidiary, affiliates and associates (Note 18)	₱6,374,700	₱5,288,129	₱12,394,623	₱7,281,958
Trade receivables	2,177,535	69,068	–	–
Receivable from employees	2,936	966,270	2,936	965,389
Others	690,918	395,220	690,918	395,220
	9,246,089	6,718,687	13,088,477	8,642,567
Less allowance for credit losses	–	394,050	–	394,050
	₱9,246,089	₱6,324,637	₱13,088,477	₱8,248,517

Trade receivables arose from ordinary course of business and are non-interest bearing and generally collectible on a 30-day period.

Others include receivables from for the development of two muscovado milling facilities for the production of the products of members of CARD-MRI Group amounting to ₱0.5 million and nil as of December 31, 2016 and 2015, respectively.



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

	2016	2015
Balance at beginning of year	₱394,050	₱19,513,370
Provision for credit losses	575,815	394,050
Accounts written-off	(969,865)	(18,793,208)
Recoveries	–	(720,162)
Balance at end of year	₱–	₱394,050

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 (Note 14).

7. Other Current Assets

This account consists of:

	Consolidated		Parent Company	
	2016	2015	2016	2015
Inventories (Note 15)	₱6,163,802	₱8,115,864	₱–	₱6,609,481
Prepaid expenses	803,303	1,244,612	389,086	782,251
Refundable deposits	105,544	–	105,544	–
	7,072,649	9,360,476	494,630	7,391,732
Less allowance for inventory losses	95,455	1,720,941	–	1,690,813
	₱6,977,194	₱7,639,535	₱494,630	₱5,700,919

As of December 31, 2016, inventories include muscovado sugar, handicrafts, kawayan products, woven fabrics, woodcrafts, leather works, ethnic accessories and groceries intended for sale. The Parent Company recorded additional allowance for inventory losses amounting to ₱1.02 million which covers the entire outstanding inventory as of December 31, 2016. In 2016, inventories amounting to ₱2.90 million were written off by the Group due to obsolescence and will not provide future economic benefit to the Group.

Movements in allowance for inventory losses follow:

	Consolidated		Parent Company	
	2016	2015	2016	2015
Balance at beginning of the year	₱1,720,941	₱1,406,709	₱1,690,813	₱697,356
Provisions (Notes 14 and 15)	1,269,671	392,503	1,020,842	993,457
Write-offs	(2,895,157)	(78,271)	(2,711,654)	–
	₱95,455	₱1,720,941	₱–	₱1,690,813



8. Investments in a Subsidiary and Associates

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

	Consolidated		Parent Company	
	2016	2015	2016	2015
Acquisition cost				
Subsidiary:				
MLNI (44.0% and 40.0% shares owned in 2016 and 2015, respectively)	₱—	₱—	₱2,033,250	₱2,000,000
Associates:				
CARD Leasing and Finance Corporation (CLFC) (30.0% shares owned)	21,000,000	21,000,000	21,000,000	21,000,000
MVI (30.0% shares owned)	4,000,000	4,000,000	4,000,000	4,000,000
	25,000,000	25,000,000	27,033,250	27,000,000
Accumulated equity in net earnings				
Balance at beginning of year	₱3,367,551	₱2,553,067	₱3,367,551	₱2,553,067
Share in total comprehensive income of associates	4,380,103	1,934,484	4,380,103	1,934,484
Dividends received	—	(1,120,000)	—	(1,120,000)
Balance at the end of the year	7,747,654	3,367,551	7,747,654	3,367,551
	32,747,654	28,367,551	34,780,904	30,367,551
Less allowance for impairment losses	1,786,105	1,786,105	1,786,105	1,786,105
Balance at end of year	₱30,961,549	₱26,581,446	₱32,994,799	₱28,581,446

MLNI

MLNI was registered with the Philippine Securities and Exchange Commission (SEC) on May 8, 2014. The main purpose of 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 only acquired additional 8,750 common shares which resulted to a total of 20,000 shares representing 40.0% ownership interest in MLNI. The remaining 60% ownership 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 other shareholders assigned their voting rights to the Parent Company, thus retaining control of MLNI. The Parent Company has elected to measure the NCI in the acquire at fair value.

In 2016, the Parent Company acquired additional shares of MLNI from other shareholders, thus increasing its ownership interest in MLNI to 44%.

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 ₱1.05 million in form of stocks during 2016 and ₱1.12 million in cash during 2015.

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, 2016 and 2015. Impairment loss recognized in the statements of revenue over expenses amounted to ₱1.8 million in 2013 which fully impaired the investment.

9. Property and Equipment

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

Consolidated				
	Land	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
2016				
Cost				
Balance at beginning of year	₱4,800,000	₱1,078,700	₱1,907,332	₱7,786,032
Additions	—	—	442,250	442,250
Reclassification to investment property	(4,800,000)	—	—	(4,800,000)
Balance at end of year	—	1,078,700	2,349,582	3,428,282
Accumulated Depreciation				
Balance at beginning of year	—	1,078,697	1,545,605	2,624,302
Depreciation (Note 15)	—	—	298,224	298,224
Balance at end of year	—	1,078,697	1,843,829	2,922,526
Net Book Value at End of Year	₱—	₱3	₱505,753	₱505,756

Consolidated				
	Land	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
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
<i>(Forward)</i>				



Consolidated				
	Land	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
Accumulated Depreciation				
Balance at beginning of year	–	1,819,692	1,330,174	3,149,866
Depreciation (Note 15)	–	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

Parent Company				
	Land	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
2016				
Cost				
Balance at beginning of year	₱4,800,000	₱1,078,700	₱1,685,330	₱7,564,030
Reclassification to investment property	(4,800,000)	–	–	(4,800,000)
Balance at end of year	–	1,078,700	1,685,330	2,764,030
Accumulated Depreciation				
Balance at beginning of year	–	1,078,697	1,481,753	2,560,450
Depreciation (Note 15)	–	–	108,376	108,376
Balance at end of year	–	1,078,697	1,590,129	2,668,826
Net Book Value at End of Year	₱–	₱3	₱ 95,201	₱95,204

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 15)	–	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

In 2016, a parcel of land amounting to ₱4.80 million was transferred into investment property as management has yet to determine its future use.

The cost of fully-depreciated property and equipment still in use amounted to ₱1.43 million and ₱1.26 million as of December 31, 2016 and 2015, respectively.



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

	Consolidated		Parent Company	
	2016	2015	2016	2015
Project related expenses (Note 15)	₱78,031	₱353,627	₱78,031	₱353,627
Administrative expenses	220,193	188,160	30,345	137,522
	₱298,224	₱541,787	₱108,376	₱491,149

10. Other Noncurrent Assets

This account consists of:

	Consolidated		Parent Company	
	2016	2015	2016	2015
Properties held for housing projects	₱—	₱900,000	₱—	₱900,000
Noncurrent portion of prepaid expenses	211,088	—	173,000	—
	₱211,088	₱900,000	₱173,000	₱900,000

As of December 31, 2015, this account represents properties held by the Parent Company intended for the benefits of its members as structural model for future socialized housing projects and noncurrent portion of prepaid expenses.

The movements of Properties held for housing projects follow:

	2016	2015
Balance at beginning of the year	₱1,070,413	₱1,070,413
Write-off (Note 15)	(1,070,413)	—
Balance at end of year	—	1,070,413
Less allowance for impairment losses	—	170,413
	₱—	₱900,000

The allowance for impairment losses as of December 31, 2015 pertains to provision on initial expenses on construction of townhouse in Dolores amounting to ₱0.17 million. In 2016, the Parent Company abandoned its plan of constructing the townhouse and written off this account.

11. Accounts Payable and Accrued Expenses

This account consists of:

	Consolidated		Parent Company	
	2016	2015	2016	2015
Subscription payable (Note 18)	₱6,490,500	₱6,300,000	₱6,490,500	₱6,300,000
Accounts payable	5,990,908	996,180	83,124	649,797
Accrued expenses	1,436,280	1,486,900	522,084	1,383,758
VAT payable	632,036	87,384	—	—
Income tax payable	203,390	—	—	—
Other payables	164,536	73,924	36,693	70,150
	₱14,917,650	₱8,944,388	₱7,132,401	₱8,403,705



As of December 31, 2016, subscription payable includes liability for subscription to shares of stocks of CLFC and CAMIA.

Accounts payable includes share of expenses for utilities and a loan from CLFC amounting to ₱5.37 million bearing an annual interest of 2%. Interest expense pertaining to the loan amounted to ₱0.22 million (Note 18).

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

12. 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 2016 and 2015, respectively.

In 2016, the Foundation fully paid the loan amounting to ₱1.25 million.

The distribution of interest expense incurred by the Parent Company (Note 18) follows:

	2016	2015
Project related expenses (Note 15)	₱11,853	₱95,283
Administrative expenses	4,609	37,054
	₱16,462	₱132,337

13. Retirement Benefits

The Group, CARD Bank Inc., CARD MRI Development Institute, Inc. (CMDI), CARD Mutual Benefit Association, Inc., CARD SME Bank, Inc., CAMIA, CMIT, CARD Employees Multi-Purpose Cooperative (EMPC), Responsible Investments for Solidarity and Empowerment Financing Co., BotiCARD Inc., CLFC, Rizal Bank, Inc. and CARD, Inc., maintain a funded and formal noncontributory defined benefit retirement plan - the CARD MRI Multi-Employer Retirement Plan (MERP) - covering all of their regular employees and CARD Group Employees' Retirement Plan (Hybrid Plan) applicable to employees hired on or after July 1, 2016. MERP is valued using the projected unit cost method and is financed solely by the Group and its related parties.

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

The latest actuarial valuation report covers reporting period as at December 31, 2016



The principal assumptions used in determining pension for the defined benefit plans of the Group as of December 31, 2016 and 2015 are shown below:

	2016	2015
Discount rate	5.86%	5.04%
Future salary increases	7.00%	10.00%

As of December 31, 2016 and 2015, net retirement liability (asset) comprise the following:

	2016	2015
Parent Company	(₱1,657,053)	(₱59,711)
MLNI	148,728	536,831
	(₱1,508,325)	₱477,120



Changes in the consolidated net defined benefit liability (asset) for 2016 and 2015 are as follow:

	Consolidated 2016												
	Net benefit cost in the statement of revenue over expenses						Remeasurements on retirement benefits***						
	January 1, 2016	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, 2016
Present value of defined benefit obligation	₱5,875,213	₱590,613	₱296,110	₱886,723	₱–	₱1,040,511	₱–	₱1,477,596	(₱4,517,759)	₱–	(₱3,040,163)	₱–	₱4,762,284
Fair value of plan assets	(5,348,726)	–	(303,165)	(303,165)	–	(1,040,511)	306,543	–	–	–	306,543	(292,401)	(6,678,260)
Effects of asset ceiling	10,344	–	521	521	–	–	–	–	–	396,786	396,786	–	407,651
Net defined benefit liability (asset)	₱536,831	₱590,613	(₱6,534)	₱584,079	₱–	₱–	₱306,543	₱1,477,596	(₱4,517,759)	₱396,786	(₱2,336,834)	(₱292,401)	(₱1,508,325)

	Consolidated 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	₱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

* Included in 'Compensation and fringe benefits' in the statements of revenue over expenses

** Included in 'Project related expenses' and 'Actuarial gains' in the statements of revenue over expenses

*** Included in the statements of revenue over expenses

**** In 2016 and 2015, transfers from the plan pertain to the transfer of employees from the Company to other affiliates within CARD-MRI



Changes in the Parent Company's net defined benefit liability (asset) for 2016 and 2015 are as follow:

Parent Company													
2016													
	Net benefit cost in the statement of revenue over expenses						Remeasurements on retirement benefits***						December 31, 2016
	January 1, 2016	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	
Present value of defined benefit obligation	₱5,056,771	₱459,233	₱254,861	₱714,094	₱—	(₱371,352)	₱—	₱419,080	(₱2,868,635)	₱—	(₱2,449,555)	₱—	₱2,949,958
Fair value of plan assets	(5,126,826)	—	(254,699)	(254,699)	—	371,352	220,303	—	—	—	220,303	(224,792)	(5,014,662)
Effects of asset ceiling	10,344	—	521	521	—	—	—	—	—	396,786	396,786	—	407,651
Net defined benefit liability (asset)	(₱59,711)	₱459,233	₱683	₱459,916	₱—	₱—	₱220,303	₱419,080	(₱2,868,635)	₱396,786	(₱1,832,466)	(₱224,792)	(₱1,657,053)

Parent Company													
2015													
	Net benefit cost in the statement of revenue over expenses						Remeasurements on retirement benefits***						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**	Contribution by employer	
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)

* Included in 'Compensation and fringe benefits' in the statements of revenue over expenses

** Included in 'Project related expenses' and 'Actuarial gains' in the statements of revenue over expenses

*** Included in the statements of revenue over expenses

**** In 2016 and 2015, transfers from the plan pertain to the transfer of employees from the Company to other affiliates within CARD-MRI



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	
	2016	2015	2016	2015
Cash and cash equivalents	₱2,774,149	₱2,177,466	₱2,083,091	₱2,087,131
Quoted debt instruments	3,275,019	2,444,902	2,459,190	2,343,472
Loans receivable	504,209	564,825	378,607	541,393
Mutual funds	34,727	41,720	26,076	39,989
Other assets	90,156	119,813	67,698	114,841
	₱6,678,260	₱5,348,726	₱5,014,662	₱5,126,826

All plan assets do not have quoted prices in an active market except for government securities. Cash and cash equivalents are deposited in reputable financial institutions and related parties and are deemed to be standard grade. Mutual fund, loans and other assets are unrated.

The plan assets have diverse investments and do not have any concentration risk other than those in government securities which are of low risk.

The overall investment policy and strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plans.

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

	2016		2015	
	Increase of 1.0%	Decrease of 1.0%	Increase of 1.0%	Decrease of 1.0%
Discount rate	(₱474,618)	₱590,587	(₱1,016,160)	₱1,297,870
Future salary increase	544,904	(450,698)	1,166,008	(948,084)

Shown below is the 25-year maturity analysis of the undiscounted benefit payments of the Parent Company:

	2016	2015
Less than 1 year	₱64,396	₱-
More than 1 year to 5 years	448,920	-
More than 5 years to 10 years	732,300	-
More than 10 years to 15 years	1,252,723	-
More than 15 years to 20 years	7,905,370	-
More than 20 years to 25 years	5,950,289	-
	₱636,711	₱-

The Parent Company plans to contribute ₱0.27 million to the defined benefit retirement plan in 2017.

The average duration of the defined benefit obligation at the end of the reporting period is 18.1 years.



14. Other Income

This account consists of:

	Consolidated		Parent Company	
	2016	2015	2016	2015
Service fee	₱1,994,286	₱1,503,415	₱3,259	₱—
Recoveries from accounts written-off	534,436	720,162	534,436	720,162
Interest income from short term deposits	91,021	60,792	87,112	58,963
Reversal of inventory losses	—	600,954	—	—
Administrative fees	—	77,240	—	77,240
Other income	37,710	940,253	37,710	940,253
	₱2,657,453	₱3,902,816	₱662,517	₱1,796,618

Service fee pertains to facilitation fees charged for product development services to related parties.

15. 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			
	2016	2015	2016	2015
Cost of sales	₱25,857,302	₱8,153,242	₱—	₱—
Provision for impairment, credit and inventory losses (Notes 5, 6, 7 and 10)	5,095,486	2,706,966	4,846,657	3,307,920
Compensation and employee benefits (Notes 13 and 18)	3,096,122	3,996,489	3,096,122	3,996,489
Actuarial gain (Note 13)	(1,319,376)	(65,934)	(1,319,376)	(65,934)
Transportation and travel	773,339	1,592,014	773,339	1,592,014
Supplies and materials	483,663	491,076	483,663	491,076
Seminars and meetings	415,444	664,488	415,444	664,488
Janitorial, messengerial and security	355,903	338,842	355,903	338,842
Rental (Note 18)	303,444	1,288,864	303,444	1,288,864
Repairs and maintenance	227,583	2,100,593	227,583	2,100,593
Utilities	224,192	418,376	224,192	418,376
Information technology	176,915	200,924	176,915	200,924
Program monitoring and evaluation	159,895	1,564,071	159,895	1,564,071
Training and development	113,918	560,333	113,918	560,333
Insurance	105,282	351,840	105,282	351,840
Depreciation (Note 9)	78,031	353,627	78,031	353,627
Communication	37,805	82,445	37,805	82,445
Research and documentation	16,344	677,376	16,344	677,376
Interest (Notes 12 and 18)	11,853	95,283	11,853	95,283
Management and professional fees	6,266	292,554	6,266	292,554
Miscellaneous	466,619	1,370,308	466,619	769,354
	₱36,686,030	₱27,233,777	₱10,579,899	₱19,080,535



The rollforward analysis of cost of sales follows:

	Consolidated		Parent Company	
	2016	2015	2016	2015
Inventories at beginning of period (Note 7)	₱8,115,864	₱8,463,158	₱6,609,481	₱5,992,762
Inventories written-down	(6,609,481)	–	(6,609,481)	–
Purchases during the period	30,514,722	7,805,948	–	616,719
Inventories available for sale	32,021,105	16,269,106	–	6,609,481
Inventories at end of period (Note 7)	(6,163,803)	(8,115,864)	–	(6,609,481)
Cost of sales	₱25,857,302	₱8,153,242	₱–	₱–

Miscellaneous includes renewal of business permits and licenses, advertising and publicity, product development and packaging and, supervision and examination.

There were no cost of sales for the Parent Company.

16. 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	
	2016	2015	2016	2015
Not later than one year	₱1,153,446	₱909,528	₱235,782	₱567,948
Later than one year and not later than five years	440,348	413,472	191,684	168,000
	₱1,593,794	₱1,323,000	₱427,466	₱735,948

The total rent expenses recognized in 2016 and 2015 amounted to ₱1.30 million and ₱1.93 million, respectively, in the consolidated statement of revenue over expenses, and ₱0.42 million and ₱1.79 million, respectively, in the Parent Company's statement of revenue over expenses.

17. 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 2016 and 2015 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 third year of operation. The Parent Company is not subject to income tax.

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

	Consolidated		Parent Company	
	2016	2015	2016	2015
Statutory income tax	₱4,608,378	₱1,128,954	₱3,728,423	₱1,078,665
Tax effects of:				
Movements in valuation allowance on deferred tax assets	(372,213)	(49,739)	—	—
Loss (income) on exempt activities	(3,719,712)	(1,072,768)	(3,719,712)	(1,072,768)
Nondeductible expenses	331,334	—	—	—
Income subjected to final tax	18,295	5,712	8,711	5,896
Provision for income tax	₱866,082	₱12,159	₱17,422	₱11,793

18. 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. Part of the plan assets are invested in time deposits and special savings accounts with the affiliated banks (Note 13).

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 Parent Company, directly or indirectly. The Parent Company considers the members of the BOT 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:

	2016	2015
Short-term employee benefits	₱3,139,754	₱2,356,684
Post-employment benefits	99,782	587,450
	₱3,239,536	₱2,944,134

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:

	2016		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Consolidated Statements of Assets, Liabilities and Fund Balance			
Affiliates ¹			
Cash in bank		₱7,145,840	This pertains to checking and savings account with annual interest rate ranging from 0.5% to 1.8%.
Deposit	₱57,767,485		
Withdrawal	(51,424,561)		
Due from affiliates		5,267,250	This pertains to a grant from an affiliate.
Billings	26,702,288		
Collections	(26,653,948)		
Accounts payable		—	This pertains to shared expenses on utilities and expenses during seminars and meetings
Billings	14,357,490		
Payments	(14,584,743)		
Project assistance payable		—	This pertains to loans availed from CARD, Inc. for the Group’s working capital requirements.
Converted to grants	—		
Payments	(1,250,000)		
Subscription payable		190,500	This pertains to unpaid subscribed shares from CAMIA. (Note 11).
Subscription	212,000		
Payments	(21,500)		
Associates ²			
Due from associates		1,107,450	This pertains to the shared expenses shouldered by the Group (unimpaired, due and demandable).
Billings	1,792,953		
Collections	(751,722)		
Accounts payable		5,367,856	This pertains to the unpaid shared expenses shouldered by the affiliates.
Billings	11,816,243		
Payments	(6,835,448)		
Interest expense	260,560		This pertains to 2% interest on financing loans.
Dividends	1,050,000		This pertains to stock dividends declared by CLFC
Subscription payable		6,300,000	This pertains to unpaid subscribed shares from CLFC (Note 11).
Payments	—		
Withdrawal	—		
Affiliates			
Grants	20,000,000		This pertains to grants from CARD, Inc. for the Group’s operations.
Rent expense	255,971		This pertains to the Group’s lease on its branches and staff houses.
(Forward)			



2016			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Interest expense	₱16,462		This pertains to interest expense on project assistance payable which bears an annual interest based on market lending rate(Note 12).

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

² This pertains to CLFC and MVI.

2016			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Parent Company Statements of Assets, Liabilities and Fund Balance			
Subsidiary			
Due from subsidiary		₱6,287,173	This pertains to the shared expenses shouldered by the Parent Company (unimpaired, due and demandable).
Billings	₱5,350,066		
Collections	(1,253,956)		
Due to MLNI		27,951	This pertains to the unremitted collection made on behalf of MLNI (due and demandable).
Billings	176,678		
Payments	(218,257)		
Affiliates			
Cash in bank		1,603,521	This pertains to checking and savings account with annual interest rate ranging from 0.5% to 1.8%.
Deposit	30,695,904		
Withdrawal	(29,895,299)		
Due from affiliates		5,000,000	This pertains to receivables from sale of solar products on account (unimpaired, due and demandable).
Billings	11,472,200		
Collections	(11,496,876)		
Accounts payable		—	This pertains to shared expenses on utilities and expenses during seminars and meetings.
Billings	2,574,609		
Payments	(2,765,875)		
Project assistance payable		—	This pertains to loans availed from CARD, Inc. for the Parent Company’s working capital requirements.
Converted to grants	—		
Payments	(1,250,000)		
Subscription payable		190,500	This pertains to unpaid subscribed shares from CAMIA. (Note 11).
Subscription	212,000		
Payments	(21,500)		
Associates			
Due from associates		1,107,450	This pertains to the shared expenses shouldered by the Parent Company (unimpaired, due and demandable).
Billings	1,609,708		
Collections	(568,477)		
Accounts payable		—	This pertains to the unpaid shared expenses shouldered by the affiliates.
Billings	122,512		
Payments	(509,573)		
Subscription payable		6,300,000	This pertains to unpaid subscribed shares from CLFC
Payments	—		
Withdrawal	—		
Dividends	1,050,000		This pertains to stock dividends declared by CLFC
Affiliates			
Grants	20,000,000		This pertains to grants from CARD, Inc. for the Parent Company’s operations.
Rent expense	225,971		This pertains to the Parent Company’s lease on its branches and staff houses.

(Forward)



2016			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Interest expense	₱16,462		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.

		2015	
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Consolidated Statements of Assets, Liabilities and Fund Balance			
Affiliates ¹			
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		5,218,910	This pertains to receivables from sale of solar products on account (unimpaired, due and demandable).
Billings	38,164,751		
Collections	(33,069,861)		
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)		
Associates ²			
Due from associates		69,219	This pertains to the shared expenses shouldered by the Group (unimpaired, due and demandable).
Billings	696,215		
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 11).
Payments	—		
Withdrawal	(7,500,000)		
Dividends	1,120,000		This pertains to cash dividends declared by CLFC.
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 on project assistance payable which bears an annual interest based on market lending rate (Note 12).

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)		
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 the Parent Company's loan from CARD, Inc. bearing annual interest ranging from 3.0% to 5.0%

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

² This pertains to CLFC and MVI.



19. Notes to Statement of Cash Flows

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

	2016	2015
Noncash investing activities:		
Transfer of land under 'property and equipment' to investment property	₱4,800,000	₱-
Subscription to CAMIA on account	190,500	
Subscription to CLFC shares on account (Note 7)	-	(7,000,000)
Transfer of prepaid subscription to available for sale investments	-	589,500

20. 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 18, 2017.

21. 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 2016:

Real property tax	₱6,232
Business permits and licenses	4,608
Annual registration fee	500
	₱11,340

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

The following withholding taxes by Parent Company are categorized into:

	Total Remittances	Balance as at December 31, 2016
Expanded withholding taxes	₱168,642	₱7,314
Withholding tax on compensation and benefits	186,218	29,379
	₱354,860	₱36,693

Tax Assessment and Cases

The Parent company did not receive any final tax assessments in 2016 nor did it have tax cases under preliminary investigation, litigation and/or prosecution in any courts or bodies outside the administration of BIR.

