Center for Agriculture and Rural Development (CARD), Inc.
(A Nonstock, Not-for-Profit Organization)
and Subsidiary

Consolidated Financial Statements
December 31, 2014 and 2013

and

Independent Auditors' Report

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

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Center for Agriculture and Rural Development (CARD), Inc.
(A Nonstock, Not-for-Profit Organization)

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Center for Agriculture and Rural Development (CARD), Inc., (A Nonstock, Not-for-Profit Organization) and Subsidiary (the Group) and the parent company financial statements of Center for Agriculture and Rural Development (CARD), Inc. (the Parent Company), which comprise the consolidated and the parent company statements of assets, liabilities and fund balance as at December 31, 2014 and 2013, and consolidated and the parent company statements of revenue over expenses, statements of comprehensive income, statements of changes in fund balance and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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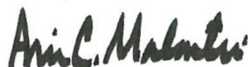
Opinion

In our opinion, the consolidated and the parent company financial statements present fairly, in all material respects, the financial position of the Group and of the Parent Company as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

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 34 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 Center for Agriculture and Rural Development (CARD), 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.


Aris C. Malantic
Partner
CPA Certificate No. 90190
SEC Accreditation No. 0326-AR-2 (Group A),
March 15, 2012, valid until March 31, 2015
Tax Identification No. 152-884-691
BIR Accreditation No. 08-001998-54-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 4751296, January 5, 2015, Makati City

March 21, 2015

CENTER FOR AGRICULTURE AND RURAL DEVELOPMENT (CARD), INC.
(A Nonstock, Not-for-Profit Corporation)
AND SUBSIDIARY
STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

	Consolidated		Parent Company	
	December 31		December 31	
	2014	2013	2014	2013
ASSETS				
Cash and Cash Equivalents (Note 7)	**₱723,098,526**	₱692,036,430	**₱720,057,182**	₱681,435,811
Short-term Investments (Note 8)	**100,000,000**	125,000,000	**100,000,000**	125,000,000
Receivables				
Receivables from members (Note 9)	**4,191,579,921**	3,590,987,888	**4,191,579,921**	3,590,987,888
Finance and lease receivables (Note 10)	**34,526,480**	33,625,492	–	–
Due from affiliates (Note 11)	**9,246,699**	61,819,413	**9,246,699**	61,820,033
Other receivables (Note 12)	**61,915,842**	90,687,944	**61,778,300**	90,605,842
Available-for-Sale Investments (Note 13)	**16,838,960**	14,504,050	**16,838,960**	14,504,050
Investments in Subsidiary and Associates (Note 14)	**634,119,569**	451,603,402	**659,195,279**	476,679,112
Property and Equipment (Note 15)	**102,340,579**	110,752,019	**100,697,593**	109,942,893
Investment Properties (Note 16)	**33,035,461**	34,339,257	**27,706,390**	27,194,225
Retirement Asset (Note 23)	**5,787,063**	–	**5,891,244**	–
Other Assets (Note 17)	**63,786,472**	51,389,149	**63,666,902**	51,259,048
	₱5,976,275,572	₱5,256,745,044	**₱5,956,658,470**	₱5,229,428,902
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Due to Members (Note 21)	**₱1,967,803,383**	₱1,703,095,830	**₱1,967,803,383**	₱1,703,095,830
Borrowings (Note 20)	**1,316,958,261**	1,373,878,336	**1,311,958,261**	1,373,878,336
Retirement Liability (Note 23)	–	437,461,703	–	436,854,674
Deferred Tax Liability	**178,316**	–	–	–
Accounts Payable and Other Liabilities (Note 19)	**430,243,911**	344,268,791	**428,950,344**	336,026,891
Total Liabilities	**3,715,183,871**	3,858,704,660	**3,708,711,988**	3,849,855,731
FUND BALANCE ATTRIBUTABLE TO PARENT COMPANY				
Fund Balance				
General fund	**1,996,818,538**	1,655,827,106	**1,998,728,804**	1,653,910,796
Restricted fund (Note 31)	**75,816,526**	70,403,263	**75,816,526**	70,403,263
Reserves				
Remeasurement loss on retirement plan	**160,834,604**	(273,955,947)	**160,576,993**	(273,955,947)
Equity in remeasurement loss retirement plan of associates	**12,824,159**	(70,784,941)	**12,824,159**	(70,784,941)
	2,246,293,827	1,381,489,481	**2,247,946,482**	1,379,573,171
NON-CONTROLLING INTEREST	**14,797,874**	16,550,903	–	–
Total Fund Balance	**2,261,091,701**	1,398,040,384	**2,247,946,482**	1,379,573,171
	₱5,976,275,572	₱5,256,745,044	**₱5,956,658,470**	₱5,229,428,902

See accompanying Notes to Financial Statements.

CENTER FOR AGRICULTURE AND
RURAL DEVELOPMENT (CARD), INC.
(A Nonstock, Not-for-Profit Corporation)
AND SUBSIDIARY

STATEMENTS OF REVENUE OVER EXPENSES

	Years Ended December 31			
	Consolidated		Parent Company	
	2014	2013	**2014**	2013
REVENUE AND OTHER INCOME				
Administrative fee (Note 9)	**₱2,039,609,389**	₱1,810,039,581	**₱2,039,609,389**	₱1,810,039,581
Grants (Note 26)	**27,741,147**	27,998,227	**27,741,147**	27,998,227
Other income (Note 27)	**25,223,963**	29,960,465	**20,973,321**	23,517,413
	2,092,574,499	1,867,998,273	**2,088,323,857**	1,861,555,221
COSTS AND EXPENSES				
Project related expenses (Note 24)	**1,635,568,667**	1,509,071,780	**1,635,568,667**	1,509,071,780
Grants and donations (Note 30)	**77,104,352**	46,804,035	**77,063,131**	46,799,035
Health program	**50,889,131**	5,354,563	**50,889,131**	5,354,563
Research	**34,725,687**	4,841,714	**34,725,687**	4,841,714
Scholarship program	**765,297**	2,069,383	**765,297**	2,069,383
Other administrative expenses (Note 27)	**88,670,746**	80,162,641	**78,777,747**	76,857,390
	1,887,723,880	1,648,304,116	**1,877,789,660**	1,644,993,865
EXCESS OF REVENUE OVER EXPENSES BEFORE SHARE IN NET INCOME OF ASSOCIATES	**204,850,619**	219,694,157	**210,534,197**	216,561,356
SHARE IN NET INCOME OF ASSOCIATES (Note 14)	**140,773,538**	99,446,495	**140,773,538**	99,446,495
EXCESS OF REVENUE OVER EXPENSES BEFORE INCOME TAX	**345,624,157**	319,140,652	**351,307,735**	316,007,851
PROVISION FOR INCOME TAX (Note 25)	**1,130,950**	86,204	**1,076,464**	–
EXCESS OF REVENUE OVER EXPENSES	**₱344,493,207**	₱319,054,448	**₱350,231,271**	₱316,007,851

ATTRIBUTABLE TO:		
Parent Company	**₱346,404,695**	₱317,924,161
Non-controlling interest	**(1,911,488)**	1,130,287
	₱344,493,207	₱319,054,448

See accompanying Notes to Financial Statements.

CENTER FOR AGRICULTURE AND RURAL DEVELOPMENT (CARD), INC.
(A Nonstock, Not-for-Profit Corporation)
AND SUBSIDIARY
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31			
	Consolidated		Parent Company	
	2014	2013	**2014**	2013
EXCESS OF REVENUE OVER EXPENSES	**₱344,493,207**	₱319,054,448	**₱350,231,271**	₱316,007,851
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that recycle to profit of loss in subsequent periods:				
Unrealized loss on available-for-sale investments in associates	**–**	(309,477)	–	(309,477)
	–	(309,477)	–	(309,477)
Items that do not recycle to profit of loss in subsequent periods:				
Change in remeasurement gain of retirement plan (Note 23)	**435,127,325**	48,656,703	**434,532,940**	48,656,703
Income tax effect	**(178,315)**	–	**–**	–
	434,949,010	48,656,703	**434,532,940**	48,656,703
Change in equity in remeasurement gain of retirement plan of associates	**83,609,100**	4,186,780	**83,609,100**	4,186,780
	518,558,110	52,534,006	**518,142,040**	52,534,006
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**₱863,051,317**	₱371,588,454	**₱868,373,311**	₱368,541,857

Attributable to:		
Parent Company	**₱864,804,346**	₱370,458,167
Non-controlling interest	**(1,753,029)**	1,130,287
	₱863,051,317	₱371,588,454

See accompanying Notes to Financial Statements.

CENTER FOR AGRICULTURE AND
RURAL DEVELOPMENT (CARD), INC.
(A Nonstock, Not-for-Profit Corporation)
AND SUBSIDIARY

STATEMENTS OF CHANGES IN FUND BALANCE

Consolidated

	Fund Balance Attributable to the Parent Company – Fund Balance (Note 31): General Fund	Fund Balance (Note 31): Restricted Fund	Remeasurement (Gain) Loss on Retirement Plan (Note 23)	Equity in Remeasurement (Gain) Loss on Retirement Plan of Associates (Note 14)	Equity in Net Unrealized Gain (Loss) on AFS of Associates (Note 14)	Non-controlling interest	Total
Balance at January 1, 2014	**₱1,655,827,106**	**₱70,403,263**	**(₱273,955,947)**	**(₱70,784,941)**	**₱–**	**₱16,550,903**	**₱1,398,040,384**
Appropriation during the year (Note 31)	**(5,413,263)**	**5,413,263**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**346,404,695**	**–**	**434,790,551**	**83,609,100**	**–**	**(1,753,029)**	**863,051,317**
Balance at December 31, 2014	**₱1,996,818,538**	**₱75,816,526**	**₱160,834,604**	**₱12,824,159**	**₱–**	**₱14,797,874**	**₱2,261,091,701**

Consolidated

	Fund Balance Attributable to the Parent Company – Fund Balance (Note 31): General Fund	Fund Balance (Note 31): Restricted Fund	Remeasurement (Gain) Loss on Retirement Plan (Note 23)	Equity in Remeasurement Gain (Loss) on Retirement Plan of Associates (Note 14)	Equity in Net Unrealized Gain (Loss) on AFS of Associates (Note 14)	Non-controlling interest	Total
Balance at January 1, 2013	₱1,343,206,208	₱65,100,000	(₱322,612,650)	(₱74,971,721)	₱309,477	₱–	₱1,011,031,314
Recognition of Non-controlling interest at acquisition date	–	–	–	–	–	18,311,923	18,311,923
Acquisition of treasury stock	–	–	–	–	–	(2,891,307)	(2,891,307)
Appropriation during the year (Note 31)	(5,303,263)	5,303,263	–	–	–	–	–
Total comprehensive income for the year	317,924,161	–	48,656,703	4,186,780	(309,477)	1,130,287	371,588,454
Balance at December 31, 2013	₱1,655,827,106	₱70,403,263	(₱273,955,947)	(₱70,784,941)	₱–	₱16,550,903	₱1,398,040,384

See accompanying Notes to Financial Statements

	Parent Company					
	Fund Balance					
	General Fund	**Restricted Fund**	**Remeasurement (Gain) Loss on Retirement Plan** (Note 23)	**Equity in Remeasurement (Gain) Loss on Retirement Plan of Associates** (Note 14)	**Equity in Net Unrealized Gain (Loss) on AFS of Associates** (Note 14)	**Total**
Balance at January 1, 2014	**₱1,653,910,796**	**₱70,403,263**	**(₱273,955,947)**	**(₱70,784,941)**	**₱–**	**₱1,379,573,171**
Appropriation during the year (Note 31)	**(5,413,263)**	**5,413,263**	**–**		**–**	**–**
Total comprehensive income for the year	**350,231,271**	**–**	**434,532,940**	**83,609,100**	**–**	**868,373,311**
Balance at December 31, 2014	**₱1,998,728,804**	**₱75,816,526**	**₱160,576,993**	**₱12,824,159**	**₱–**	**₱2,247,946,482**

	Parent Company					
	Fund Balance					
	General Fund	Restricted Fund	Remeasurement (Gain) Loss on Retirement Plan (Note 23)	Equity in Remeasurement Gain (loss) on Retirement Plan of Associates (Note 14)	Equity in Net Unrealized Gain (Loss) on AFS of Associates (Note 14)	Total
Balance at January 1, 2013	₱1,343,206,208	₱65,100,000	(₱322,612,650)	(₱74,971,721)	₱309,477	₱1,011,031,314
Appropriation during the year (Note 31)	(5,303,263)	5,303,263	–	–	–	–
Total comprehensive income for the year	316,007,851	–	48,656,703	4,186,780	(309,477)	368,541,857
Balance at December 31, 2013	₱1,653,910,796	₱70,403,263	(₱273,955,947)	(₱70,784,941)	₱–	₱1,379,573,171

See accompanying Notes to Financial Statements

CENTER FOR AGRICULTURE AND RURAL DEVELOPMENT (CARD), INC.
(A Nonstock, Not-for-Profit Corporation)
AND SUBSIDIARY

STATEMENTS OF CASH FLOWS

	Years Ended December 31			
	Consolidated		Parent Company	
	2014	2013	**2014**	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess of revenue over expenses	**₱345,624,158**	₱319,054,448	**₱351,307,735**	₱316,007,851
Adjustments for:				
Pension expense (Note 23)	**135,553,857**	130,262,668	**135,462,320**	130,203,656
Interest expense (Note 20)	**64,719,480**	79,650,910	**64,169,480**	79,650,910
Equity in net earnings of associates (Note 14)	**(140,773,538)**	(99,446,495)	**(140,773,538)**	(99,446,495)
Depreciation and amortization (Note 15)	**30,789,362**	38,876,536	**30,387,343**	38,646,450
Provision for credit and impairment losses (Notes 9, 10, 12, 16 and 18)	**15,725,166**	31,058,010	**11,960,986**	30,542,024
Interest income (Note 24)	**(10,198,614)**	(9,772,018)	**(6,533,908)**	(9,772,018)
Amortization of debt issue costs (Note 20)	**1,687,445**	2,925,085	**1,687,445**	2,925,085
Loss on the excess of carrying amount and fair value of the previously held equity	**–**	1,049,861	**–**	1,049,861
Foreign exchange gain	**(87,750)**	(864,810)	**(87,750)**	(864,810)
(Gain) loss on disposal/retirement of assets	**(36,839)**	(439,480)	**4,901**	(439,480)
Dividend income (Note 30)	**(100,600)**	(205,416)	**(100,600)**	(205,416)
Gain on disposal of available for sale equity instrument	**–**	(184,720)	**–**	(184,720)
Grant of land to affiliate	**4,800,000**	–	**4,800,000**	–
Changes in operating assets and liabilities:				
Decrease (increase) in amounts of:				
Receivables	**(536,844,671)**	(346,945,009)	**(530,992,224)**	(345,046,830)
Short term investments	**25,000,000**	–	**25,000,000**	–
Other assets	**(13,133,007)**	(28,954,060)	**(13,170,078)**	(28,823,959)
Increase (decrease) in amounts of:				
Accounts payable and accrued expenses	**123,087,486**	(2,343,262)	**122,672,362**	(11,133,180)
Due to members	**264,707,553**	196,704,811	**264,707,553**	196,704,811
Net cash flows generated from operations	**310,519,488**	310,427,059	**320,502,027**	299,813,740
Income taxes paid	**(94,119)**	–	**–**	–
Interest paid	**(63,261,108)**	(80,607,221)	**(62,524,441)**	(80,607,221)
Contributions to the retirement plan (Note 23)	**(143,675,298)**	(60,000,000)	**(143,675,298)**	(60,000,000)
Interest received	**11,425,838**	9,788,670	**6,616,201**	9,788,670
Net cash flows provided by operating activities	**114,914,801**	179,608,508	**120,918,489**	168,995,189

(Forward)

	Years Ended December 31			
	Consolidated		Parent Company	
	2014	2013	**2014**	2013
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal or maturity of:				
Property and equipment (Note 15)	**₱894,961**	₱838,372	**₱572,370**	₱838,372
Investment property (Note 16)	**743,851**	–	**–**	–
Available for sale investments	**–**	2,244,320	**–**	2,244,320
Investment in associates	**–**	30,793,042	**–**	30,793,042
Acquisitions of:				
Investment in associates (Note 14)	**(13,000,000)**	(21,640,537)	**(13,000,000)**	(21,640,537)
Property and equipment (Note 15)	**(26,123,153)**	(10,490,822)	**(26,001,124)**	(10,478,122)
Available-for-sale investments (Note 13)	**(2,146,560)**	–	**(2,146,560)**	–
Investment properties (Note 16)	**(1,030,355)**	–	**(1,030,355)**	–
Placement of short-term investment (Note 8)	**–**	(40,500,000)	**–**	(40,500,000)
Dividends received (Notes 13 and 14)	**54,866,471**	36,531,320	**54,866,471**	36,531,320
Prepaid subscription of equity shares (Note 17)	**(31,950,400)**	20,000,000	**(31,950,400)**	20,000,000
Net cash flows provided by (used in) investing activities	**(17,745,185)**	17,775,695	**(18,689,598)**	17,788,395
CASH FLOWS FROM FINANCING ACTIVITIES				
Redemption of preferred stock	**(7,500,000)**	–	**–**	–
Proceeds from borrowings	**1,332,708,500**	902,503,000	**1,327,708,500**	902,503,000
Settlement of borrowings	**(1,391,316,020)**	(732,226,007)	**(1,391,316,020)**	(732,226,007)
Net cash flows provided by (used in) financing activities	**(66,107,520)**	170,276,993	**(63,607,520)**	170,276,993
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**31,062,096**	367,661,196	**38,621,371**	357,060,577
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**692,036,430**	324,375,234	**681,435,811**	324,375,234
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱723,098,526**	₱692,036,430	**₱720,057,182**	₱681,435,811

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Center for Agriculture and Rural Development (CARD), Inc. (the Parent Company), a nonstock, not-for-profit organization, was incorporated in the Philippines on October 14, 1986. It was registered with the Philippine Securities and Exchange Commission (SEC) on March 6, 1987 primarily to undertake, directly finance and assist research and development work and/or economic evaluation for the development and improvement of the quality of life of people in underdeveloped and depressed areas.

Being not organized for profit and since no part of its net income inures to the benefit of any private individual or member, the Parent Company falls under Section 30 (e) of the Tax Reform Act of 1997 and as such, income from activities in pursuit of the purpose for which the Organization was organized is exempt from income tax.

The registered office of the Parent Company is located at 20 M. L. Quezon Street, City Subdivision, San Pablo City, Laguna. As at December 31, 2014 and 2013, the Parent Company has 725 and 654 branches, respectively.

Responsible Investments for Solidarity and Empowerment Financing Company, Inc. (the Subsidiary or RISE), a 61.9% owned subsidiary of the Parent Company, is engaged in financing and leasing operations as provided in the Financing Company Act (Republic Act No. 8556). The registered and principal place of business of RISE is at Unit 909 Malate Crown Plaza Condominium, Adriatico St. corner San Andres St., Malate, Manila.

The Parent Company and its subsidiary (the Group) is a member of CARD - Mutually Reinforcing Institutions (MRI).

2. Summary of Significant Accounting Policies

Basis of Preparation
The financial statements of the Group and of the Parent Company have been prepared under the historical cost basis.

The financial statements are presented in Philippine peso, the functional currency of the Group and of the Parent Company. All amounts are rounded to the nearest peso, unless otherwise indicated.

Statement of Compliance
The consolidated and parent company financial statements of the Group and the Parent Company have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS).

Presentation of Financial Statements
The Group presents its statement of assets, liabilities and fund balance broadly in order of liquidity. An analysis regarding recovery (asset) or settlement (liability) within 12 months after the reporting date (current) and more than 12 months after the reporting date (noncurrent) is presented in Note 22.

Financial assets and financial liabilities are offset and the net amount reported in the statement of assets, liabilities and fund balance only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle liabilities simultaneously. Income and expense are not offset in the statement of revenue over expenses unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

Basis of Consolidation
The consolidated financial statements include the financial statements of the Parent Company and its subsidiary. The financial statements of the Parent Company are prepared to present its financial position and performance as at and for the years ended December 31, 2014 and 2013. On the other hand, the financial statements of RISE, its subsidiary, are prepared to present its financial position and performance as at and for the years ended December 31, 2014 and 2013 (Note 5).

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. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if and only if it has:

- power over the investee
- exposure or rights to variable returns from its involvement with the investee, and
- the ability to use its powers to affect the amount of returns.

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 a change in ownership interest in a subsidiary occurs which results in a loss of control over the subsidiary, the Parent Company:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interests;
- derecognizes the related other comprehensive income (OCI) recorded in fund balance and recycles the same to statement of revenue over expenses or fund balance;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in statement of revenue over expenses; and
- reclassifies the Parent Company's share of components previously recognized in other comprehensive income to statement of revenue over expenses or fund balance, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Non-controlling interests
Non-controlling interest 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, consolidated statement of comprehensive income 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 non-controlling interests in excess of the non-controlling interests are allocated against the interests of the non-controlling interest even if this results in the non-controlling interest having a deficit balance. Acquisitions of non-controlling interests are accounted for as equity transactions.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC), which were adopted as of January 1, 2014.

New and amended standards and interpretations

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
- PAS 32, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (Amendments)
- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)

Annual Improvements to PFRSs (2011 - 2012 cycle)
- PFRS 13, *Fair Value Measurement*

Annual Improvements to PFRSs (2011 - 2013 cycle)
- PFRS 1, *First-time Adoption of PFRS*

Summary of Significant Accounting Policies

Foreign Currency Transaction
For financial reporting purposes, foreign-currency-denominated monetary assets and liabilities are translated into their equivalents in Philippine peso based on the Philippine Dealing System (PDS) closing rate at the end of the year and foreign-currency-denominated income and expenses, at the PDS weighted average rate for the year.

Foreign exchange differentials arising from foreign currency transactions and restatements of foreign-currency-denominated assets and liabilities are credited to or charged against statement of revenue over expenses in the year in which the rates change.

Fair Value Measurement
The Group initially measures its financial instruments and non-financial assets such as investment properties, at fair value at reporting date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 4.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

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

Cash and Cash Equivalents
Cash and cash equivalents include cash on hand and in banks with original maturities of three months or less from dates of placements and that are subject to insignificant risk of change in value.

Financial Instruments – Initial Recognition and Subsequent Measurement

Date of recognition

Purchases or sales of financial assets that require delivery of the assets within the time frame established by regulation or convention in the market place are recognized on the settlement date. Receivables are recognized when cash is received by the Group or advanced to the borrowers.

Initial recognition and classification of financial instruments

All financial assets and financial liabilities are initially measured at fair value. Except for financial assets and financial liabilities at fair value through profit or loss (FVPL), the initial measurement includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available for sale (AFS) investments and loans and receivables. Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities carried at amortized cost. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As at December 31, 2014 and 2013, the Group has no financial assets and liabilities at FVPL and HTM investments.

Determination of fair value

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

The fair values of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the reporting date. Where an instrument measured at fair value has a bid and an ask price, the Group uses the price within that range that is most representative of the fair value.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The valuation techniques used aim to make minimum use of market inputs and rely as little as possible on entity-specific inputs and may include reference to other instruments that are judged to be substantially the same.

'Day 1' difference

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

Loans and Receivables

This accounting policy relates to the statement of assets, liabilities and fund balance captions 'Cash and cash equivalents,' 'Short-term investments,' and 'Receivables.' These are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market and for which the Group has no intention of trading.

After initial measurement, cash and cash equivalents, short term investments, and receivables 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 is included in the 'Administrative fee' in the statement of revenue over expenses. The losses arising from impairment are recognized in 'Provision for credit losses' in the statement of revenue over expenses of the Group.

AFS investments
AFS investments are those non-derivative financial assets which are designated as such or do not qualify to be classified as financial assets at FVPL, HTM investments or receivables. These are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS investments are subsequently measured at fair value. The effective yield component of AFS debt investments is reported in the statement of revenue over expenses. The unrealized gains and losses arising from the fair valuation of AFS investments are excluded from reported revenue and are reported in OCI.

AFS investments include unquoted equity investments where the Group's ownership interest is less than 20.0% or where control is likely to be temporary are initially recognized at cost, being the fair value of the investment at the time of acquisition or purchase and including acquisition charges associated with the investment. Such investments are carried at cost due to the unpredictable nature of future cash flows and the lack of other suitable methods for arriving at a reliable fair value.

When the security is disposed of, the cumulative gain or loss previously recognized in fund balance is recognized as 'Other income' in the statement of revenue over expenses. Dividends earned on holding AFS equity investments, if any, are recognized in the statement of revenue over expenses as 'Other income' when the right of the payment has been established. The losses arising from impairment of such investments are recognized as 'Provision for credit and impairment losses' in the statement of revenue over expenses.

Other financial liabilities at amortized cost
Issued financial instruments or their components, which are not designated at FVPL, are classified as liabilities under 'Due to members,' 'Borrowings,' and 'Accounts payable and other liabilities,' 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, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, due to members, borrowings, accounts payable and other liabilities, and other financial liabilities not qualified as and not designated as FVPL, are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

Classification of Financial Instruments between Debt and Equity

A financial instrument is classified as debt if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred the control over the asset.

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

Financial liabilities

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

Impairment of Financial Assets

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

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in 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, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost
For cash and cash equivalents, short term investments and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment.

Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the statement of revenue over expenses. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss 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 'Provision for credit and impairment losses' in the statement of revenue over expenses of the Group.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, collateral type, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, property prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a receivable is uncollectible, it is written off against the related allowance for credit losses. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the loan loss provision and are recognized in the statement of revenue over expenses.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the provision. The amount of the reversal is recognized in the statement of revenue over expenses.

Restructured receivables
Where possible, the Subsidiary seeks to restructure receivables, which may involve extending the payment arrangements and the agreement of new receivable conditions. Once the terms have been renegotiated, the receivable is no longer considered past due. Management continuously reviews restructured receivables to ensure that all criteria are met and that future payments are likely to occur.

The receivables continue to be subject to an individual or collective impairment assessment, calculated using the receivable's original EIR. The difference between the recorded value of the original receivable and the present value of the restructured cash flows, discounted at the original EIR, is recognized in 'Provision for credit and impairment losses' in the statement of revenue over expenses.

AFS investments
AFS investments are those non derivative investments which are designated as such or do not qualify to be classified or designated as financial assets at FVPL, HTM investments or loans and receivables. They are purchased and held indefinitely and may not be sold in response to liquidity requirements or changes in market conditions.

The AFS investments of the Parent Company include investments in nonmarketable equity investments that do not have a quoted market price in an active market and whose fair market value cannot be reliably measured.

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

In the case of equity investments classified as AFS investments, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of revenue over expenses is removed from fund balance and recognized in the statement of revenue over expenses. Impairment losses on AFS investments are not reversed through the statement of revenue over expenses. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of 'Interest income' under 'Other income' in the statement of revenue over expenses. If subsequently, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in statement of revenue over expenses, the impairment loss is reversed through statement of revenue over expenses.

Offsetting Financial Instruments
Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial assets, liabilities and fund balance when there is a legally enforceable right to set off the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and the liability simultaneously. This is not generally the case with master-netting agreements, and the related assets and liabilities are presented gross in the statement of assets, liabilities and fund balance.

Investment in Subsidiary and Associates
Investment in subsidiary
Subsidiary pertains to entity over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

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 is recognized in statement of revenue over expenses, and its share of post-acquisition movements in the associate's OCI is recognized directly in OCI. Distributions received from an associate reduce the carrying amount of the investment. When the Parent Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Parent Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Revenues and expenses resulting from transactions between the Parent Company and an associate are eliminated to the extent of the interest in the associate.

The financial statements of the associates are prepared for the same reporting period as the Parent Company. The associates' accounting policies conform to those used by the Parent Company for like transactions and events in similar circumstances.

Property and Equipment
Property and equipment which includes building and improvements, furniture and fixtures and office and transportation equipment is carried at cost less accumulated depreciation and amortization and any impairment loss, except for land and construction in progress, which are carried at cost less impairment.

The initial cost of property and equipment consists of its purchase price, including taxes and any directly attributable costs to bring the asset to its working condition and location for its intended use. Expenditures incurred after items of property and equipment have been put into operation, such as repairs and maintenance are normally charged against operations in the year 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 property and equipment. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization are removed from the accounts, and any resulting gain or loss is reflected in the statement of revenue over expenses.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives (EUL) of the respective assets. Leasehold improvements are amortized over the shorter of the estimated useful lives of the improvements or the terms of the related leases.

The estimated useful lives of the depreciable assets are as follows:

Building and improvements	5 to 25 years
Furniture and fixtures	3 to 5 years
Office equipment	3 to 5 years
Transportation equipment	3 to 5 years

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

Construction in progress represents building under construction and is stated at cost less impairment. Construction in progress is not depreciated until such time the relevant assets are completed and ready for intended use.

The carrying values of the property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, an impairment loss is recognized in the statement of revenue over expenses.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization are removed from the accounts, and any resulting gain or loss is reflected in the statement of revenue over expenses.

Investment Properties

Investment properties are carried at cost less accumulated depreciation and any impairment loss, except for land which is carried at cost less impairment. The initial cost of investment properties includes transaction costs representing nonrefundable taxes such as capital gains tax and documentary stamp tax that are for the account of the Group.

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

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

The difference between the fair value of the asset acquired and the carrying amount of the asset given up is recognized under ‘Other income’ in the statement of revenue over expenses.

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 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 charged against operations in the year in which the costs are incurred.

Depreciation on building and improvements is calculated on a straight-line basis over the estimated useful life of 5 to 25 years from the time of acquisition of the investment properties.

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

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

Business Combination and Gain on Bargain Purchase

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in the statement of revenue over expenses or as a change to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within fund balance.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Parent Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment of Nonfinancial Assets

Property and equipment, investment properties, investments in subsidiary and associates

At each reporting date, the Group assesses whether there is any indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, 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 (VIU) and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing VIU, 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 charged to operations in the year in which it arises.

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

Residual Value of Leased Assets

The residual value of the Subsidiary's leased assets is the estimated proceeds from the disposal of the leased asset at the end of the lease term.

Fund Balance

General Fund

General fund consists of all current and prior period results of operations. The Parent Company's earnings or assets shall not inure to the benefit of any of its trustees, organizers, officers, members or any specific person.

Restricted Fund

Restricted fund pertains to the appropriations made by the Parent Company for future acquisitions and/or improvements of investment properties.

Revenue Recognition

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

Administrative fees

Administrative fees are recognized as they become due and billable.

Grants

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

Leasing income

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

Finance income

Finance charges are included in the face value of the loans receivables financed and with a corresponding credit to the `Unearned interest income' account. This is amortized to income over the term of the financing agreement using the effective interest method.

Unearned lease and interest income ceases to be amortized when finance receivables become past due for more than three months.

Interest income

Interest income on deposits in banks, short-term investments, due from affiliates, and other receivables is recognized as interest accrues using EIR, which is the rate that exactly discounts estimated future cash receipts through the expected life of the interest-bearing financial instruments to the net carrying amount of the financial assets.

Rent income

Rent income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

Dividend income

Dividends are recognized as revenue when the Parent Company's right to receive the payment is established.

Costs and Expenses

Costs and expenses encompass losses as well as those expenses that arise in the course of the undertakings of the Group. Costs and expenses are recognized when incurred and are presented using function of expense method.

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 net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit retirement plan is determined using the projected unit credit method.

Retirement costs comprise the following:

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

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of revenue over expenses. Past service costs are recognized when the plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of revenue over expenses.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets (excluding net interest), are recognized immediately in the statement of assets, liabilities and fund balance with a corresponding debit or credit to 'Remeasurement gain (loss) on retirement plan' under other comprehensive income in the period in which they occur. Remeasurements are not reclassified to the statement of revenue over expenses in subsequent periods.

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

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

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

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

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

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

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

Finance Leases
The Subsidiary recognizes assets held under a finance lease in its statement of assets, liabilities and fund balance as a receivable at an amount equal to the present value of the lease payments using the implicit rate of interest and including any guaranteed residual value. All income resulting from the lease receivable is included in 'Interest income' in the statement of revenue over expenses. The lease payments received from the lessee are treated as repayments of principal and finance income.

Income Taxes
Current tax
Current tax assets and liabilities for the current and prior years 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 the amount are those that are enacted or substantively 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 taxable temporary differences with exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and carry forward of unused excess MCIT over RCIT and unused NOLCO can be utilized.

Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

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

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

Current tax and deferred tax relating to items recognized directly in fund balance is recognized in other comprehensive income, and not in the statement of revenue over expenses.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized. All other borrowing costs are recognized as expense in the year in which they are incurred.

Provisions
Provisions are recognized when an obligation (legal or constructive) is incurred as a result of a past event and where it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

Events After the Reporting Period
Post year-end events that provide additional information about the Group's position at the 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.

Future Changes in Accounting Policies
Standards issued but not yet effective up to date of issuance of the Group's financial statements are listed below. The listing consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS, PAS and Philippine Interpretations to have significant impact on its financial statements.

PFRS 9, *Financial Instruments* – Classification and Measurement (2010 version)
PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Effective January 1, 2015
PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments)
PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group, the Group has defined benefit plans with contributions from employees or third parties.

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

PFRS 2, *Share-based Payment – Definition of Vesting Condition*
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same Group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*
The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* . The Group shall consider this amendment for future business combinations.

PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar.'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*
The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

PAS 24, *Related Party Disclosures – Key Management Personnel*
The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*
The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

- Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

PFRS 13, *Fair Value Measurement – Portfolio Exception*
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

PAS 40, *Investment Property*
The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective January 1, 2016

PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture – Bearer Plants* (Amendments)
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements* (Amendments)
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.

PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

PFRS 14, *Regulatory Deferral Accounts*
PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

Annual Improvements to PFRSs (2012-2014 cycle)
The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group. They include:

PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*
The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts*
PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

PAS 19, *Employee Benefits – regional market issue regarding discount rate*
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

PAS 34, *Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'*
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

PFRS 9, *Financial Instruments – Hedge Accounting* and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)
PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting. The Group is currently assessing the impact of adopting this standard.

PFRS 9, *Financial Instruments* (2014 or final version)
In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the impact of adopting this standard.

The following new standard issued by the IASB has not yet been adopted by the FRSC

IFRS 15 *Revenue from Contracts with Customers*
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

3. Significant Accounting Judgments and Estimates

The preparation of the Group's financial statements in accordance with PFRS requires the management to make judgments and estimates that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities.

Future events may occur which will cause the judgments used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

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

The following are the critical judgments and key assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Judgments

(a) Consolidation of a subsidiary
The determination whether the Group has control over an investee company requires significant judgment. The Group considers that the following criteria are all met, including: (a) an investor has the power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's return.

As discussed in Note 2, the Parent Company included the accounts of RISE in its consolidated financial statements. The Parent Company assessed the control conclusion over RISE after increasing its ownership to 61.9% of the voting power of the investee on May 14, 2013. The Parent Company obtained control due to its power to direct the relevant activities of RISE, its exposures to variable returns and its ability to use its power over RISE to affect their returns (Note 5).

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

Group as lessee
The Group has entered into commercial property leases with outside parties wherein the latter retains all the significant risks and rewards of ownership of those properties leased out under operating leases. These operating leases are subject to one-year term and are renewable annually upon agreement of both contracting parties. In determining the classification of the lease, the Group considers retention of ownership title to the leased property, period of lease contract relative to the estimated useful economic life of the leased property and bearer of executor costs, among others.

Finance leases
The Subsidiary as lessor has entered into finance leases. The Subsidiary has determined that it transfers all the significant risks and rewards of ownership of these properties which are leased out under finance leases.

(c) Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded on the statement of assets, liabilities and fund balance cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

(d) Financial assets not quoted in an active market
The Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether the asset is quoted in an active market is the determination on whether the quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

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

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

(g) Impairment of AFS equity investments
The Group determines that AFS equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

AFS equity investments of the Group pertain to equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost.

No impairment loss was recognized on AFS equity investments in 2014 and 2013. The carrying values of the AFS investments are disclosed in Note 13

Estimates

(a) *Credit losses on receivables*

The Group reviews its loans and receivables to assess impairment annually. In determining whether an impairment loss should be recorded in the statement of revenue over expenses, 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 receivables before the decrease can be identified with an individual receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of customers or national or local economic conditions that correlate with defaults on the receivables.

As at December 31, 2014 and 2013, allowance for credit losses receivables of the Group and Parent Company are disclosed in Note 18.

The carrying values of the receivables of the Group and the Parent Company are disclosed in Notes 9, 10, 11 and 12.

(b) *Present value of retirement obligation*

The cost of defined retirement pension plan and other post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and the long-term nature of these plans, such estimates are subject to significant uncertainty. 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 date. The present values of the retirement liability of the Group and the Parent Company are disclosed in Note 23.

(c) *Impairment of property and equipment and investment properties*

The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

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

The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use for property and equipment and fair value less costs to sell for investment properties. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit to which the asset belongs.

The carrying value of the property and equipment and investment properties for the Group and the Parent Company are disclosed in Notes 15 and 16, respectively. Details of the allowance for impairment losses are disclosed in Note 18.

(d) *Estimated useful lives of property and equipment and investment properties*
The Group estimates the useful lives of its property and equipment and investment properties. This estimate is reviewed periodically to ensure that the periods of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment and investment properties. The estimated useful lives of property and equipment and investment properties are discussed in Note 2.

4. **Fair Values of Assets and Liabilities**

The Group uses a hierarchy for determining and disclosing the fair value of its assets and liabilities (see accounting policy on Fair Value Measurement).

Cash and cash equivalents, short-term investments, receivables from members, due from affiliates, current portion of finance and lease receivables, advances, security deposits, due to members and accrued expenses and other payables – the carrying amounts approximate their fair values due to their short-term maturities.

Receivables – Fair values of noncurrent portion of receivables are estimated using the discounted cash flow methodology, based on prevailing market lending rates for similar type of receivables, taking into account the remaining maturities and applicable spreads of the counterparties.

Debt investments – Fair values are generally based upon quoted market prices. If the market prices are not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology.

Unquoted equity investments – Fair value could not be reliably determined due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value. There is no market for these investments and the Group does not intend to dispose these investments. These investments are carried at cost less any impairment.

Borrowings – Noncurrent portion of borrowings are estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued.

All assets and liabilities of the Group and the Parent Company for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole.

The following table summarizes the carrying amounts and the fair values by level of the fair value hierarchy of the Group and the Parent Company's financial and non-financial assets and liabilities as at December 31, 2014 and 2013.

	Consolidated			**Parent**		
	2014			**2014**		
	Carrying Value	**Level 3**	**Total Fair Value**	**Carrying Value**	**Level 3**	**Total Fair Value**
Assets for which fair values are disclosed:						
Financial assets						
Finance and lease receivables	**₱22,363,247**	**₱19,851,593**	**₱19,851,593**	**₱–**	**₱–**	**₱–**
Other receivables	**8,624,930**	**8,549,289**	**8,549,289**	**8,624,930**	**8,549,289**	**8,549,289**
Financial liabilities						
Borrowings	**1,314,141,500**	**1,306,863,982**	**1,306,863,982**	**1,314,141,500**	**1,306,863,982**	**1,306,863,982**
Nonfinancial assets						
Investment properties	**33,035,461**	**38,597,239**	**38,597,239**	**27,706,390**	**32,293,161**	**32,293,161**

	Consolidated			Parent		
	2013			2013		
	Carrying Value	Level 3	Total Fair Value	Carrying Value	Level 3	Total Fair Value
Assets for which fair values are disclosed:						
Financial assets						
Finance and lease receivables	₱33,625,492	₱39,182,036	₱39,182,036	₱–	₱–	₱–
Other receivables	90,687,944	91,106,051	91,106,051	90,605,842	90,737,544	90,737,544
Financial liabilities						
Borrowings	1,373,878,336	1,403,107,201	1,403,107,201	1,373,878,336	1,403,107,201	1,403,107,201
Nonfinancial assets						
Investment properties	34,339,257	46,783,788	46,783,788	27,194,226	38,227,641	38,227,641

The Group and the Parent Company do not have financial instruments carried at fair value as at December 31, 2014 and 2013. The Group does not have assets and liabilities categorized under levels 1 and 2 of the fair value hierarchy.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at every reporting date. There were no transfers between fair value categories for assets and liabilities measured at fair value in 2014 and 2013.

The fair values of the Company's investment properties have been determined based on valuations made by independent appraisers on the basis of recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made and based on the new definition of fair value.

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

Description of the valuation techniques used to valuation of the Company investment properties are as follow:

Market data approach	A comparable method wherein the value of the property is based on sales and listings of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used

as basis of comparison are situated within the immediate vicinity of the subject property. Comparison would be premised on the factors of location, size and shape of the lot, and time element.

Size Physical magnitude, extent or bulk, relative or proportionate dimensions. The value of the lot varies in accordance to the size of the lots. Basic rule of thumb is the bigger the lot size the lower the value, the smaller the lot size the higher the value.

Shape Particular form or configuration. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.

Location For a tract of land designated for a purpose or site occupied or available for occupancy, one of the key factors in land valuation is the location or area of preference.

Time element The measured or measurable period during action or condition exist. It is usually associated with the period in which the property can be sold in an open market within reasonable time.

5. Business Combination

Acquisition of RISE
On March 7, 2013 and May 14, 2013, the Parent Company acquired the common shares of RISE amounting to 7,316 and 3,430, respectively. The acquisition of additional common shares of RISE resulted to ownership of 61.9%. The Parent Company opted May 31, 2013 as the acquisition date of RISE acquisition for convenience purposes. The Parent Company assessed that no material changes from May 14, 2013 to May 31, 2013.

The Parent Company has elected to measure the non-controlling interests in the acquiree at fair value.

Assets acquired and liabilities assumed
The fair values of the identifiable assets and liabilities of RISE as at the date of acquisition were:

	Fair value recognized on acquisition date
Assets	
Cash	₱9,583,796
Finance and lease receivables	29,804,187
Prepaid expenses	111,145
Properties held for leasing	9,754,042
Property and equipment-net	954,184
Investment property	8,633,192
	58,840,546
Liabilities	
Accounts payable and other liabilities	₱184,998
Retirement payable	548,017
Deposit for future subscription	7,142,250
Preferred stock classified as liability	7,500,000
	15,375,265
Total identifiable net assets at fair value	43,465,281
Non-controlling interests measured at fair value	(18,311,923)
Gain on bargain purchase	(77,648)
Purchase consideration transferred	₱25,075,710

The fair value of the non-controlling interest in RISE, an unlisted company, has been estimated using the net asset approach. The fair value of the acquiree's net assets at the acquisition date exceeded the total consideration given, resulting in a gain in the bargain purchase amounting to ₱77,648, which is included in the 'Other income' presented in the consolidated statement of revenue over expenses in 2013.

The non-controlling interest recognized at the acquisition date is 38.1%, which was measured as the proportionate share of the total fair value of the acquiree's net assets.

The loss on the fair value and carrying value difference of the acquiree's net assets at the date of acquisition is included under 'Other expenses' amounting to ₱1.0 million in 2013.

6. **Financial Risk Management Objectives and Policies**

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

In line with the Group's mission of "*providing continued access to integrated microfinance and social development services to an expanding membership base by organizing and empowering women and their families*", the risk management framework of the Group involves identifying and assessing risks, designing strategies and implementing policies to mitigate risks, and conducting evaluation for adjustments needed to minimize risks.

The Board of Trustees (BOT) through the Audit Committee (AC) of the Parent Company is responsible for monitoring the Parent Company's implementation of risk management policies and procedures and for reviewing the adequacy of risk management framework in relation to the risks faced by the Group. The AC regularly reports to BOT the results of reviews of actual implementation of risk management policies. Risk Management of the Parent Company is strengthened in conjunction with AC and Internal Audit (IA) functions. IA undertakes both regular audit examination and ad hoc reviews of risk management controls and procedures, the results of which are reported to the AC.

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

<u>Credit Risk</u>
Credit risk is the risk of financial loss to the Group if the counterparty to a financial instrument fails to meet its contractual obligations.

Management of credit risk
The Parent Company manages its credit risk by providing field personnel with thorough trainings for effective and efficient service delivery to mitigate such risk. A codified signing authority is in place for every level of receivables processing and approval. Receivables are guaranteed by co-borrower/guarantor from family member. All past due/impaired accounts are reported on a daily, weekly and monthly basis. Consistent monitoring for these accounts is established by competent and diligent personnel to maximize recovery. Writing off bad debt accounts are being approved by the BOT through its Executive Director.

Intensive management monitoring of the program and regular internal audit examination are being conducted. Identified existing and potential irregularities are being discussed and processed during the monthly AC meeting. Consequently, a summary of AC reports are being presented to the regular quarterly meeting of the BOT.

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

Maximum exposure to credit risk
The maximum credit exposure of the Group's financial instruments is equal to their carrying value except for receivable from members and finance and lease receivables.

An analysis of the maximum exposure to credit risk of the Group and the Parent Company as at December 31, 2014 and 2013 are as follows (in millions):

	Consolidated			
	2014			
	Maximum credit exposure	**Fair value of collateral**	**Financial effect of collateral or credit enhancement**	**Net exposure**
Receivable from members	**₱4,192**	**₱1,697**	**₱1,697**	**₱2,495**
Finance and lease receivables	**22**	**4**	**3**	**19**
	₱4,214	**₱1,701**	**₱1,700**	**₱2,514**

	Consolidated			
	2013			
	Maximum credit exposure	Fair value of collateral	Financial effect of collateral or credit enhancement	Net exposure
Receivable from members	₱3,591	₱748	₱2,843	₱748
Finance and lease receivables	34	20	14	20
	₱3,625	₱768	₱2,857	₱768

	Parent Company			
	Maximum credit exposure	**Fair value of collateral**	**Financial effect of collateral or credit enhancement**	**Net exposure**
2014				
Receivable from members	**₱4,192**	**₱1,697**	**₱1,697**	**₱2,495**
2013				
Receivable from members	₱3,591	₱748	₱2,843	₱748

The Group assessed that it has no credit risk exposures relating to off-balance sheet items. Credit enhancement for receivables from members pertains to contribution of members for capital build-up purposes (Note 21).

The collaterals held for lease receivables of the Subsidiary pertain to postdated checks provided by the client. The collaterals for finance receivables pertain to a tract of land.

The Group has no financial instruments with right of set-off in accordance with PAS 32 as at December 31, 2014 and 2013. There are also no financial instruments that are subject to an enforceable master netting arrangements of similar agreements which require disclosure in the financial statements in accordance with amendments of PFRS 7.

Concentration of credit risk
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Group's financial instruments are concentrated to rural borrowers.

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

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

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

The tables below show the credit quality per class of receivables (gross of allowance for credit losses) as at December 31, 2014 and 2013 (in thousands):

	2014				
	Consolidated				
	Neither past due nor impaired				
	High Grade	Standard grade	Past due but not impaired	Past due and impaired	Total
Cash in bank	**₱722,990**	**₱–**	**₱–**	**–**	**₱722,990**
Short-term investments	**100,000**	**–**	**–**	**–**	**100,000**
Receivables					
Receivables from members	**–**	**4,295,697**	**5,133**	**32,084**	**4,332,914**
Finance and lease receivables					
Lease receivables	**10,115**	**1,334**	**14,899**	**994**	**27,342**
Finance receivables	**–**	**4,640**	**–**	**10,838**	**15,478**
Due from affiliates	**–**	**9,247**	**–**	**–**	**9,247**
Other receivables	**–**	**61,916**	**–**	**7,533**	**69,449**
Available-for-sale investments	**16,839**	**–**	**–**	**–**	**16,839**
Other assets	**–**	**23,991**	**–**	**–**	**23,991**
	₱849,944	**₱4,396,825**	**₱20,032**	**₱51,449**	**₱5,318,250**

	2013				
	Consolidated				
	Neither past due nor impaired				
	High Grade	Standard grade	Past due but not impaired	Past due and impaired	Total
Cash in bank	₱691,913	₱–	₱–	₱–	₱691,913
Short-term investments	125,000	–	–	–	125,000
Receivables					
Receivables from members	–	3,690,983	4,648	43,617	3,739,248
Finance and lease receivables					
Lease receivables	–	18,209	823	1,083	20,115
Finance receivables	–	–	–	16,903	16,903
Due from affiliates	–	61,819	–	–	61,819
Other receivables	–	90,688	–	6,350	97,038
Available-for-sale investments	14,504	–	–	–	14,504
Other assets	–	20,511	–	–	20,511
	₱831,417	₱3,882,210	₱5,471	₱67,953	₱4,787,051

	2014				
	Parent				
	Neither past due nor impaired				
	High Grade	Standard grade	Past due but not impaired	Past due and impaired	Total
Cash in bank	**₱720,057**	**₱–**	**₱–**	**₱–**	**₱720,057**
Short-term investments	**100,000**	**–**	**–**	**–**	**100,000**
Receivables					
Receivables from members	**–**	**4,295,697**	**₱5,133**	**32,084**	**4,332,914**
Due from affiliates	**–**	**9,246**	**–**		**9,246**
Other receivables	**–**	**54,245**	**–**	**7,533**	**61,778**
Available-for-sale investments	**16,838**	**–**	**–**	**–**	**16,838**
Other assets	**–**	**25,911**	**–**	**–**	**23,911**
	₱836,895	**₱4,385,099**	**₱5,133**	**₱39,617**	**₱5,264,744**

	2013				
	Neither past due nor impaired				
	High Grade	Standard grade	Past due but not impaired	Past due and impaired	Total
Cash in bank	₱681,328	₱–	₱–	₱–	₱681,328
Short-term investments	125,000	–	–	–	125,000
Receivables					
Receivables from members	–	3,690,983	₱4,648	43,617	3,739,248
Due from affiliates	–	61,820	–	–	61,820
Other receivables	–	90,606	–	6,350	96,956
Available-for-sale investments	14,504	–	–	–	14,504
Other assets	–	20,461	–	–	20,461
	₱820,832	₱3,863,870	₱4,648	₱49,967	₱4,739,317

As at December 31, 2014 and 2013, the Group's receivables that are past due for more than 90 days are considered impaired.

The following table shows the total aggregate amount of receivables from members that are contractually past due but not considered as impaired per delinquency bucket as at December 31, 2014 and 2013 (in thousands).:

	Consolidated			
2014	**Less than 30 Days**	**31 to 60 Days**	**61 to 90 Days**	**Total**
Project assistance receivables	**₱1,783**	**₱1,631**	**₱1,309**	**₱4,723**
Members assistance receivables	**104**	**204**	**102**	**410**
Finance lease receivables	**–**	**–**	**14,899**	**14,899**
	₱1,887	**₱1,835**	**₱16,310**	**₱20,032**
2013				
Project assistance receivables	₱962	₱1,518	₱1,699	₱4,179
Members assistance receivables	95	142	162	399
Finance lease receivables	718	175	–	893
	₱1,775	₱1,835	₱1,861	₱5,471

	Parent Company			
2014	**Less than 30 Days**	**31 to 60 Days**	**61 to 90 Days**	**Total**
Project assistance receivables	**₱1,783**	**₱1,631**	**₱1,309**	**₱4,723**
Members assistance receivables	**104**	**204**	**102**	**410**
	₱1,887	**₱1,834**	**₱1,411**	**₱5,133**
2013				
Project assistance receivables	₱962	₱1,518	₱1,769	₱4,249
Members assistance receivables	95	142	162	399
	₱1,057	₱1,660	₱1,931	₱4,648

Liquidity Risk

Liquidity risk is the risk arising from potential inability to meet obligations when they become due at a reasonable cost and timely manner. The Group manages liquidity risk by assessing the gap for additional funding and determining the best source and cost of funds on a monthly basis. To ensure sufficient liquidity, the Group set aside funds to pay currently maturing obligations. These funds are placed in short-term investments and deposited in banks by the Parent Company and RISE, respectively. Monitoring of daily cash position is being done to guide the management in making sure that sufficient liquidity is maintained. The Treasury Executive Committee was also established to regularly review liquidity position of the Group monthly.

The tables below summarize the maturity profile of the financial instruments of the Group based on contractual undiscounted cash flows (in thousands):

	Consolidated					
	On demand	**Due within 1 month**	**1 to 3 months**	**3 to 12 months**	**Beyond 1 year**	**Total**
2014						
Financial Assets						
Cash and cash equivalents	**₱251,257**	**₱258,581**	**₱213,261**	**₱–**	**₱–**	**₱723,099**
Short term investments	–	–	–	**100,620**	–	**100,620**
Receivables – gross	**2,678**	**243,280**	**1,353,453**	**3,295,765**	**32,576**	**4,927,752**
AFS investments	–	–	–	–	**16,839**	**16,839**
Other assets	–	**78**	–	–	**25,991**	**26,069**
Total Financial Assets	**253,935**	**501,939**	**1,566,714**	**3,396,385**	**75,406**	**5,794,379**
Financial Liabilities						
Accounts payable and accrued expenses	**1,337**	**70,659**	**33,764**	**62,673**	**197,224**	**365,657**
Borrowings	–	**76,782**	**618,368**	**527,631**	**138,463**	**1,361,244**
Due to members	–	**236,136**	**688,731**	**1,042,936**	–	**1,967,803**
Total Financial Liabilities	**1,337**	**383,577**	**1,340,863**	**1,633,240**	**335,687**	**3,694,704**
Net Undiscounted Cash Flows	**₱252,598**	**₱118,362**	**₱225,851**	**₱1,763,145**	**(₱260,281)**	**₱2,099,675**

	Consolidated					
	On demand	Due within 1 month	1 to 3 months	3 to 12 months	Beyond 1 year	Total
2013						
Financial Assets						
Cash and cash equivalents	₱306,480	₱126,440	₱261,672	₱–	₱–	₱694,592
Short term investments	–	–	–	125,500	–	125,500
Receivables – gross	2,232	216,418	1,139,895	2,785,213	34,483	4,178,241
AFS investments	–	–	–	–	14,504	14,504
Other assets	–	–	–	–	20,511	20,511
Total Financial Assets	308,712	342,858	1,401,567	2,910,713	69,498	5,033,348
Financial Liabilities						
Accounts payable and accrued expenses	417	61,790	5,937	166,728	83,735	318,607
Borrowings	–	3,757	303,691	879,001	276,513	1,462,962
Due to members	–	81,497	583,674	1,037,925	–	1,703,096
Total Financial Liabilities	417	147,044	893,302	2,083,654	360,248	3,484,665
Net Undiscounted Cash Flows	₱308,295	₱195,814	₱508,265	₱827,059	(₱290,750)	₱1,548,683

	Parent Company					
	On demand	Due within 1 month	1 to 3 months	3 to 12 months	Beyond 1 year	Total
2014						
Financial Assets						
Cash and cash equivalents	**₱248,215**	**₱258,581**	**₱185,311**	**₱27,950**	**–**	**₱720,057**
Short term investments				**100,620**	**–**	**100,620**
Receivables – gross	**1,684**	**238,660**	**1,349,325**	**3,238,781**	**10,204**	**4,838,654**
AFS investments					**16,839**	**16,839**
Other assets					**23,991**	**23,991**
Total Financial Assets	**249,899**	**497,241**	**1,534,636**	**3,367,351**	**51,034**	**5,700,161**
Financial Liabilities						
Accounts payable and accrued expenses		**70,596**	**33,764**	**62,673**	**197,224**	**364,257**
Borrowings		**76,157**	**618,368**	**525,756**	**135,963**	**1,356,244**
Due to members		**236,136**	**688,731**	**1,042,936**	**–**	**1,967,803**
Total Financial Liabilities	**–**	**382,889**	**1,340,863**	**1,631,365**	**333,187**	**3,688,304**
Net Undiscounted Cash Flows	**₱249,899**	**₱114,352**	**₱193,773**	**₱1,735,986**	**(₱282,153)**	**₱2,011,857**

	Parent Company					
	On demand	Due within 1 month	1 to 3 months	3 to 12 months	Beyond 1 year	Total
2013						
Financial Assets						
Cash and cash equivalents	₱295,894	₱126,440	₱259,102	₱–	₱–	₱681,436
Short term investments	–	–	–	125,500	–	125,500
Receivables – gross	351	215,180	1,137,325	2,774,304	6,894	4,134,054
AFS investments	–	–	–	–	14,504	14,504
Other assets	–	–	–	–	20,461	20,461
Total Financial Assets	296,245	341,620	1,396,427	2,899,804	41,859	4,975,955
Financial Liabilities						
Accounts payable and accrued expenses	–	61,180	5,937	166,728	83,735	317,580
Borrowings	–	3,757	303,691	879,001	276,513	1,462,962
Due to members	–	81,497	583,674	1,037,925	–	1,703,096
Total Financial Liabilities	–	146,434	893,302	2,083,654	360,248	3,483,638
Net Undiscounted Cash Flows	₱296,245	₱195,186	₱503,125	₱816,150	(₱318,389)	₱1,492,317

Market Risk

Market risk is the risk of loss to future earnings, to fair value or future cash flows of a financial instrument as a result of changes in its price, in turn caused by changes in interest rates, foreign currency exchange rates, equity prices and other market factors.

Interest rate risk

Interest rate risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in market interest rates.

The Parent Company's total receivables from members are set at fixed nominal rates of 18.0% to 23.0% in 2014 and 2013 per annum. The shortest term of loan is three months while the longest term is one year.

The Parent Company's generally pays fixed interest to the members at 2.0% per annum in 2014 and 2013.

The Parent Company's generally pays fixed interest to the creditors at 1.0% to 9.6% per annum which is payable from one to five years. However, certain borrowings are subject to regular repricing of interest rates.

In order to manage its interest rate risk, the Parent Company places its excess funds in high yield investments and other short-term time deposits.

The following table demonstrates the sensitivity of the Parent Company's excess of revenues over expenses to reasonably possible changes in Parent Company's borrowings with all other variables held constant (through the impact on floating rate borrowings). There is no impact on the Parent Company's equity other than those already affecting the excess of revenue over expenses.

		Effect on excess of revenues over expenses	
		2014	2013
Increase in interest rates by	+1.0%	**(₱69,444)**	(₱595,000)
Decrease in interest rates by	(1.0)	**69,444**	595,000

In 2014 and 2013, the Parent Company determined the reasonably possible change in interest rates using the percentage changes in market rate of borrowings on a quarterly and semi-annual basis.

Foreign currency risk
Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's principal transactions are carried out in Philippine Peso and its exposure to foreign currency risk arises primarily with respect to the Group's cash in banks and short-term investments which are denominated in US dollar ($) and Euro(€).

The following table shows the foreign currency-denominated accounts of the Group as at December 31, 2014 and 2013:

	2014		2013	
	in $	**in €**	in $	in €
Cash in banks and cash equivalents	**745,908**	**100,345**	494,634	87,764
Available-for-sale investments	**318,000**	**–**	270,000	–
Other assets	**178,866**	**–**	105,000	–
Total	**1,242,774**	**100,345**	869,634	87,764

In translating the foreign currency-denominated accounts to Philippine peso amounts, the exchange rate used was ₱44.72 to $1.00 and ₱44.4 to $1.0 in 2014 and 2013, respectively, and ₱53.68 to €1.00 and ₱60.11 to €1.00 in 2014 and 2013, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso exchange rate, with all other variables held constant, of the Group's excess of revenue over expenses. There is no impact on the Group's equity other than those already affecting the excess of revenue over expenses.

Currency	**Change in currency rate in %**	**Effect on excess of revenue over expenses**
2014		
USD	**+5.0**	**₱2,778,843**
	–5.0	**(2,778,843)**
Euro	**+5.0**	**₱269,326**
	–5.0	**(269,326)**

Currency	Change in currency rate in %	Effect on excess of revenue over expenses
2013		
USD	+5.0	₱1,930,359
	–5.0	(1,930,359)
Euro	+5.0	₱263,837
	–5.0	(263,837)

7. Cash and Cash Equivalents

This account consists of:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Cash in bank	**₱722,990,415**	₱691,913,372	**₱719,964,071**	₱681,327,753
Cash on hand	**108,111**	123,058	**93,111**	108,058
	₱723,098,526	₱692,036,430	**₱720,057,182**	₱681,435,811

Cash in banks consist of demand, savings and time deposit accounts. Time deposit accounts have maturities of less than three (3) months from the date acquired. In addition, the Parent Company has dollar and euro accounts amounting to ₱33.3 million ₱5.5 million, respectively.

In 2014 and 2013, the Group and Parent Company's cash in banks earn annual interest rates ranging from 0.1% to 4.0%.

Interest income under 'Other income' earned by the Group and the Parent company from cash in banks amounted to ₱6.2 million and ₱6.2 million, and ₱9.4 million and ₱9.2 million in 2014 and 2013, respectively.

8. Short-term Investments

Short-term investments represent time deposits with maturities of more than three months but less than one year from reporting dates. As at December 31, 2014 and 2013, the Parent Company has short-term investments amounting to ₱100.0 million and ₱125.0 million, respectively.

Short-term investments earn annual interest rates ranging from 1.3% to 3.8% and from 1.3% to 1.5% in 2014 and 2013, respectively. Interest income from short-term investments amounted to ₱0.3 million and ₱0.5 million in 2014 and 2013, respectively.

9. Receivables from Members

This account consists of:

	2014	2013
Project assistance receivable	**₱3,914,929,275**	₱3,476,843,987
Members assistance receivable	**417,984,778**	262,404,367
	4,332,914,053	3,739,248,354
Less allowance for credit losses (Note 18)	**(141,334,132)**	(148,260,466)
	₱4,191,579,921	₱3,590,987,888

Project assistance receivable and member assistance receivable earn annual effective administrative fee of 32.8% to 58.8% in 2014 and 2013, respectively.

As at December 31, 2014 and 2013, project assistance receivables with carrying value of ₱1.1 billion and ₱1.3 billion, respectively, were used as collateral for interest-bearing borrowings (Note 20).

Project assistance receivables granted to members are partially secured by 'Due to members' amounting to ₱866.6 million and ₱747.8 million as at December 31, 2014 and 2013, respectively (Note 21).

Receivables from members include past due receivables amounting to ₱37.2 million and ₱48.3 million as at December 31, 2014 and 2013, respectively.

10. Finance and Lease Receivables

This account of the Subsidiary consists of:

	2014	2013
Receivables from customers:		
Lease contracts receivable:		
Finance lease receivable	**₱27,342,102**	₱20,115,343
Less unearned lease income	**(3,865,653)**	(2,729,721)
	23,476,449	17,385,622
Loans receivable:		
Loans receivable	**15,477,828**	16,903,488
Less unearned interest income	**(107,631)**	(107,632)
	15,370,197	16,795,856
	38,846,646	34,181,478
Less allowance for credit losses (Note 18)	**(4,320,166)**	(555,986)
	₱34,526,480	₱33,625,492

Finance receivables pertain to restructured loans of RISE to a bank and a foundation with interest rates of 12.0% and 12.2% per annum, respectively, on outstanding balance, and are payable in five years. Lease receivables are paid through monthly amortization and generally have terms of 24 to 36 months.

Lease receivables pertain to finance lease of computer and other equipment.

An analysis of the finance and lease receivables (excluding accrued interest) as at December 31, 2014 and 2013 is presented as follows:

	2014		
	Finance Receivables	**Lease Receivables**	**Total**
Due within 1 year	**₱12,139,653**	**₱19,704,927**	**₱31,844,580**
Less unearned interest income	**(107,631)**	**(3,098,204)**	**(3,205,835)**
Less allowance for credit losses	**(3,160,561)**	**(887,308)**	**(4,047,869)**
	8,871,461	**15,719,415**	**24,590,876**
Due beyond 1 year but not more than 5 years	**3,338,175**	**7,637,176**	**10,975,351**
Less unearned interest income	–	**(767,449)**	**(767,449)**
Less allowance for credit losses	**(46,402)**	**(225,895)**	**(272,297)**
	3,291,773	**6,643,832**	**9,935,605**
	₱12,163,234	**₱22,363,247**	**₱34,526,481**

	2013		
	Finance Receivables	Lease Receivables	Total
Due within 1 year	₱1,514,315	₱12,398,439	₱13,912,754
Less unearned interest income	(5,883)	(2,112,841)	(2,118,724)
Less allowance for credit losses	(29,890)	(142,219)	(172,109)
	1,478,542	10,143,379	11,621,921
Due beyond 1 year but not more than 5 years	15,389,173	7,716,904	23,106,077
Less unearned interest income	(101,749)	(616,880)	(718,629)
Less allowance for credit losses	(304,506)	(79,371)	(383,877)
	14,982,918	7,020,653	22,003,571
	₱16,461,460	₱17,164,032	₱33,625,492

An analysis of the finance lease receivables as at December 31, 2014 and 2013 is presented as follows:

	2014		
	Not later than one year	**Later than one year and less than five years**	**Total**
Minimum lease payments	**₱17,586,447**	**₱6,048,810**	**₱23,635,257**
Residual value of leased assets	**2,118,480**	**1,588,366**	**3,706,846**
Gross investment in leases	**19,704,927**	**7,637,176**	**27,342,103**
Less unearned lease income	**(3,098,204)**	**(767,449)**	**(3,865,653)**
	16,606,723	**6,869,727**	**23,476,450**
Less allowance for credit losses	**(887,308)**	**(225,895)**	**(1,113,203)**
Net investment in finance lease	**₱15,719,415**	**₱6,643,832**	**₱22,363,247**

	2013		
	Not later than one year	Later than one year and less than five years	Total
Minimum lease payments	₱11,483,626	₱5,488,348	₱16,971,974
Residual value of leased assets	914,813	2,228,556	3,143,369
Gross investment in leases	12,398,439	7,716,904	20,115,343
Less unearned lease income	(2,112,841)	(616,880)	(2,729,721)
	10,285,598	7,100,024	17,385,622
Less allowance for credit losses	(142,219)	(79,371)	(221,590)
Net investment in finance lease	₱10,143,379	₱7,020,653	₱17,164,032

As at December 31, 2014 and 2013, the movement of the allowance for credit losses for finance and lease receivables is as follows:

	Finance Receivables	**Lease Receivables**	**Total**
2014			
Balance at the beginning of year	**₱334,396**	**₱221,590**	**₱555,986**
Provisions during the year	**2,872,567**	**891,613**	**3,764,180**
Balance at end of year	**₱3,206,963**	**₱1,113,203**	**₱4,320,166**
Collective impairment	**₱46,402**	**₱225,895**	**₱272,297**
Individual impairment	**3,160,561**	**887,308**	**4,047,869**
	₱3,206,963	**₱1,113,203**	**₱4,320,166**
Gross amounts of receivables individually determined to be impaired, before deducting any individually assessed impairment losses	**₱10,729,952**	**₱887,308**	**₱11,617,260**

	Finance Receivables	Lease Receivables	Total
2013			
Balance at the beginning of year	₱–	₱–	₱–
Provisions during the year	334,396	221,590	555,986
Balance at end of year	₱334,396	₱221,590	₱555,986
Collective impairment	₱–	₱190,325	₱190,325
Individual impairment	334,396	31,265	365,661
	₱334,396	₱221,590	₱555,986
Gross amounts of receivables individually determined to be impaired, before deducting any individually assessed impairment losses	₱16,903,488	₱1,082,875	₱17,986,363

All finance receivables are subjected to specific impairment while lease receivables are subjected to specific and collective impairment.

Receivable from customers earned annual fixed interest rates ranging from 12.0% to 18.6% in 2014 and 2013, respectively.

The breakdown of interest income on finance and lease receivables of the Subsidiary in 2014 and 2013 follows:

	2014	2013
Interest income from finance receivables	**₱707,012**	₱1,142,061
Interest income from lease receivables	**2,957,694**	1,637,896
	₱3,664,706	₱2,779,957

11. **Due from Affiliates**

This account consists of:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
CARD Mutual Benefit Association (MBA), Inc.	**₱5,103,918**	₱24,781,099	**₱5,103,918**	₱24,781,099
CARD Business Development Service Foundation (BDSF), Inc.	**3,852,350**	32,886,355	**3,852,350**	32,886,355
CARD Bank, Inc.	**146,560**	346,167	**146,560**	346,167
CARD Employee Multi-Purpose Cooperative (EMPC), Inc.	**60,695**	132,648	**60,695**	132,648
CARD Leasing and Finance Corporation (CLFC)	**43,266**	500	**43,266**	500
CARD MRI Development Institute (CMDI), Inc.	**32,176**	3,569,770	**32,176**	3,569,770
CARD MRI Insurance Agency (CAMIA), Inc.	**4,065**	1,888	**4,065**	1,888
CARD SME Bank, Inc.	**3,293**	15,692	**3,293**	15,692
Rizal Rural Bank (RRB)	**376**	46,014	**376**	46,014
CARD MRI Information Technology (CMIT), Inc.	**–**	35,799	**–**	35,799
BotiCARD Inc.	**–**	3,481	**–**	3,481
RISE	**–**	–	**–**	620
Total	**₱9,246,699**	₱61,819,413	**₱9,246,699**	₱61,820,033

BDSF, CMIT, EMPC, MBA, CARD SME Bank, CARD Bank, BotiCARD, CMDI, CAMIA, RRB, CLFC and RISE are all members of CARD MRI group. These entities are considered related parties (subsidiary, associates and other related party) as they are operationally linked in influencing economic decisions (Note 30).

Due from BDSF represents an unsecured loan amounting to ₱10.0 million and ₱26.6 million granted in 2011 and 2009 for BDSF's expansion program and working capital requirements, respectively. The loans are payable within a period of five years and earn an annual interest based on market lending rate. As at December 31, 2014 and 2013, receivable from BDSF amounted to ₱3.7 million and ₱32.9 million, respectively.

Due from EMPC, CARD Bank, CMIT, CMDI, CARD SME Bank, BotiCARD, CAMIA, RRB and RISE mainly consist of the affiliates' share in expenses paid for by the Parent Company.

Due from CARD MBA pertains to the Parent Company's claims due to occurrence of insured events.

12. Other Receivables

This account consists of:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Accrued administrative fee receivable	**₱42,788,003**	₱71,126,786	**₱42,788,003**	₱71,126,786
Receivable from:				
Officers and employees	**10,152,884**	494,772	**10,150,564**	8,487,250
Other microfinance institutions	**8,855,819**	11,130,062	**8,855,819**	11,130,062
Others	**7,330,354**	13,933,516	**7,255,480**	5,867,936
Accrued interest receivable	**322,059**	353,004	**261,711**	344,004
	69,449,119	97,038,140	**69,311,577**	96,956,038
Less allowance for credit losses (Note18)	**(7,533,277)**	(6,350,196)	**(7,533,277)**	(6,350,196)
	₱61,915,842	₱90,687,944	**₱61,778,300**	₱90,605,842

Receivables from other microfinance institutions are short-term financing with interest rate of 12.0% which are granted to microfinance organizations operating in hard-to-reach areas to improve the life of the poor communities. Normal term of these receivables is one year.

13. Available-for-Sale Investments

As at December 31, 2014 and 2013, AFS investments amounted to ₱16.8 million and ₱14.5 million, respectively. This account represents investments in unquoted equity securities in a rural bank and in microfinance entities.

Dividend income from available-for-sale investments amounted to ₱3.3 million and ₱0.2 million for the years ended December 31, 2014 and 2013, respectively.

14. Investments in Subsidiary and Associates

This account consists of the following investments:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Acquisition cost				
Subsidiary:				
RISE – 61.9% owned in 2014 and 2013	**₱–**	₱–	**₱23,987,258**	₱23,987,258
Associates:				
CARD SME Bank – 33.8% owned in 2014 and 2013	**166,738,801**	166,738,801	**166,738,801**	166,738,801
CARD Bank – 29.5% owned in 2014 and in 2013	**79,615,900**	79,615,900	**79,615,900**	79,615,900
CMIT – 30.0% owned in 2014 and 2013	**30,039,900**	30,039,900	**30,039,900**	30,039,900
RRB – 40% owned in 2014 and in 2013	**23,750,000**	10,750,000	**23,750,000**	10,750,000

(Forward)

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
CLFC – 21% owned in 2014 and in 2013	**₱14,700,000**	₱14,700,000	**₱14,700,000**	₱14,700,000
CAMIA – 36.6% owned in 2014 and 2013	**3,481,000**	3,481,000	**3,481,000**	3,481,000
BotiCARD – 15% owned in 2014 and 2013	**1,500,000**	1,500,000	**1,500,000**	1,500,000
	319,825,601	306,825,601	**343,812,859**	330,812,859
Accumulated equity in net earnings:				
Balance at beginning of year	**215,562,742**	159,057,873	**216,651,194**	160,146,325
Share in net income of associates for the year	**140,773,538**	99,446,495	**140,773,538**	99,446,495
Dividends received	**(54,866,471)**	(36,325,904)	**(54,866,471)**	(36,325,904)
Disposal/Transfer	**–**	(6,615,722)	**–**	(6,615,722)
Balance at end of year	**301,469,809**	215,562,742	**302,558,261**	216,651,194
Accumulated equity in other comprehensive income:				
Balance at beginning of year	**(70,784,941)**	(74,662,244)	**(70,784,941)**	(74,662,244)
Share in comprehensive income of associates for the year	**83,609,100**	4,186,780	**83,609,100**	4,186,780
Disposal	**–**	(309,477)	**–**	(309,477)
	12,824,159	(70,784,941)	**12,824,159**	(70,784,941)
	₱634,119,569	₱451,603,402	**₱659,195,279**	₱476,679,112

In 2012, the Parent Company has an investment in RISE amounting to ₱13.7 million which represents 32.64% ownership. This investment was accounted for in accordance with PAS 28, *Investment in Associates and Joint Ventures*. On May 14, 2013, the Parent Company and Ad Jesum Development Foundation, (AJDF) Inc. executed a dation of payment wherein AJDF transferred 3,430 common shares of RISE to the Parent Company. This led to a 61.92% ownership of the Parent Company to RISE accounted for in accordance with PFRS 3, *Business Combination* (Note 5) as at December 31, 2013.

CARD SME Bank Inc. is a thrift bank which offers working capital financing to businesses engaged in agricultural services, industry and housing and provides diversified financial and allied services for its chosen market and constituents especially for small and medium enterprises, microfinance and individuals. As at December 31, 2014, the Bank has existing ten branches. Its principal place of business is located at Insular Bldg, Rizal Avenue, San Pablo City.

In 2013, the Parent Company sold its 290,660 shares of CARD SME of the total outstanding capital stock of the CARD SME for a consideration of ₱30.3 million. The Parent Company recorded a loss on sale from the transaction amounting to ₱0.5 million. The sale resulted to decrease in ownership from 39.6% to 36.6%.

CARD Bank, Inc. (A Microfinance-Oriented Rural Bank) is currently engaged in extending microcredit and rural credit to small farmers and tenants and to deserving rural industries or enterprises. The bank offers a wide range of products and services such as deposit products, loans, and treasury that serve mainly to the consumer market. Its principal place of business is located at 20 M.L. Quezon Street, City Subdivision, San Pablo City, Laguna.

CARD MRI Information Technology, Inc. (CMIT) was created primarily to provide CARD-MRI's major information technology services. As a major service offered to its sister institutions, data migration has become the expertise of CMIT. Dividends received by the Parent Company in 2014 amounted to ₱2.2 million. Its principal place of business is located in M.L. Quezon Street,

City Subdivision, San Pablo City, Laguna.

CARD MRI Insurance Agency, Inc. (CAMIA) primarily engages in the business of selling insurance and other related services, life or nonlife insurance. Its registered office address is at M. L. Quezon St. City Subdivision, San Pablo City, Laguna.

BotiCARD Inc. is a stock corporation created primarily to become CARD-MRI's distributor of medicine and related merchandise. Its principal place of business is at 20 M.L. Quezon Street, City Subdivision, San Pablo City, Laguna. Despite the Group's ownership of less than 20.0%, BotiCARD was considered as an associate since the Group demonstrated influence in the economic decisions.

Rizal Rural Bank (RRB) was established primarily to engage in the business of rural banking as defined and authorized under Republic Act No. 3779, as amended, such as granting loans to small farmers and to deserving rural enterprises, as well as receiving deposits in accordance with the regulations promulgated by the Monetary Board. The bank's principal place of business is at P. Guevarra St., Cor. Aguirre St., Brgy. Poblacion 2, Sta. Cruz, Laguna.

CARD Leasing and Finance Corporation (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.

The following tables present the summarized financial information of associates as of and for the years ended December 31, 2014 and 2013:

	December 31, 2014						
	CARD SME Bank	**CARD Bank**	**CMIT**	**CAMIA**	**BotiCARD**	**RRB**	**CLFC**
Statement of assets, liabilities and fund balance							
Current assets	**₱1,546,277,111**	**₱5,137,018,286**	**₱70,798,638**	**₱177,683,023**	**₱24,088,573**	**₱582,525,974**	**₱34,691,555**
Noncurrent assets	**155,821,880**	**982,168,601**	**10,556,959**	**20,103,803**	**1,320,120**	**47,361,997**	**101,697,150**
Current liabilities	**1,228,626,289**	**4,280,840,922**	**7,586,188**	**173,884,061**	**3,517,332**	**499,516,308**	**33,439,428**
Noncurrent liabilities	**41,255,248**	**881,954,896**	**1,171,468**	**2,250,778**	**12,596,774**	**–**	**58,061,063**
Statement of revenue over expenses							
Gross income	**549,329,829**	**1,985,482,841**	**69,625,587**	**29,544,529**	**51,878,748**	**148,038,570**	**11,566,598**
Operating income	**553,905,548**	**2,009,491,294**	**71,528,675**	**30,349,236**	**52,154,215**	**148,153,637**	**44,788,334**
Net income	**102,151,859**	**232,136,555**	**12,467,209**	**6,890,165**	**1,680,022**	**33,756,153**	**6,795,932**
Statement of comprehensive income							
Other comprehensive income (loss)	**(25,110,691)**	**(171,102,282)**	**5,693,231**	**(761,673)**	**–**	**9,412,020**	**1,378,289**
Total comprehensive income	**77,041,168**	**61,034,273**	**18,160,440**	**6,128,492**	**1,680,022**	**43,168,173**	**8,174,221**

	December 31, 2013						
	CARD SME Bank	CARD Bank	CMIT	CAMIA	BotiCARD	RRB	CLFC
Statement of assets, liabilities and fund balance							
Current assets	₱1,049,650,982	₱4,281,470,365	₱60,540,529	₱125,148,002	₱26,819,000	₱213,914,851	₱19,663,138
Noncurrent assets	114,321,694	810,148,658	13,209,957	16,644,809	2,891,887	33,944,324	43,451,296
Current liabilities	838,760,458	3,679,085,354	11,331,229	123,989,012	8,494,957	186,785,536	13,941,000
Noncurrent liabilities	28,389,523	423,432,686	5,172,536	4,238,733	12,596,774	52,870,150	13,374,677
Statement of revenue over expenses							
Gross income	331,599,867	1,624,773,524	57,303,382	19,521,525	24,046,975	43,051,530	61,181,009
Operating income	332,929,836	1,578,925,201	7,318,435	2,976,124	5,457,702	9,348,712	5,428,637
Net income	40,230,035	286,961,217	5,939,686	2,125,198	3,629,032	9,348,712	5,428,637
Statement of comprehensive income							
Other comprehensive income (loss)	9,990,074	(4,081,182)	(2,036,044)	(450,634)	(692,340)	(5,527,791)	226,321
Total comprehensive income	50,220,109	282,880,035	3,903,642	1,674,564	2,936,692	3,820,921	5,654,958

15. Property and Equipment

The composition of and movements in this account follow:

	Consolidated					
	Land	**Building and Improvements**	**Transportation Equipment**	**Furniture and Equipment**	**Construction in Progress**	**Total**
2014						
Cost						
Balance at beginning of year	**₱48,059,673**	**₱64,649,752**	**₱77,919,481**	**₱84,979,829**	**₱1,969,728**	**₱277,578,463**
Additions	**8,190,000**	**127,144**	**15,600**	**12,395,725**	**5,394,684**	**26,123,153**
Disposals/Transfers	**(4,800,000)**	**2,788,500**	**(11,244,987)**	**(7,558,743)**	**(3,655,644)**	**(24,470,874)**
Balance at end of year	**51,449,673**	**67,565,396**	**66,690,094**	**89,816,811**	**3,708,768**	**279,230,742**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**–**	**33,281,398**	**61,542,341**	**72,002,706**	**–**	**166,826,445**
Depreciation and amortization	**–**	**6,576,257**	**10,713,165**	**9,261,038**	**–**	**26,550,460**
Disposals	**–**	**–**	**(10,911,660)**	**(7,314,799)**	**–**	**(18,226,459)**
Transfers	**–**	**1,739,717**	**–**	**–**	**–**	**1,739,717**
Balance at end of year	**–**	**41,597,372**	**61,343,846**	**73,948,945**	**–**	**176,890,163**
Net Book Value	**₱51,449,673**	**₱25,968,024**	**₱5,346,248**	**₱15,867,866**	**₱3,708,768**	**₱102,340,579**

	Consolidated					
	Land	Building and Improvements	Transportation Equipment	Furniture and Equipment	Construction in Progress	Total
2013						
Cost						
Balance at beginning of year	₱49,684,673	₱65,107,063	₱87,595,804	₱81,397,252	₱730,000	₱284,514,792
From business combination	–	–	883,419	689,143	–	1,572,562
Additions	–	235,000	306,189	7,979,905	1,969,728	10,490,822
Disposals	–	(1,422,311)	(10,865,931)	(5,086,471)	–	(17,374,713)
Transfers	(1,625,000)	730,000	–	–	(730,000)	(1,625,000)
Balance at end of year	48,059,673	64,649,752	77,919,481	84,979,829	1,969,728	277,578,463
Accumulated Depreciation and Amortization						
Balance at beginning of year	–	28,508,095	55,574,040	64,513,023	–	148,595,158
From business combination	–	–	88,108	530,270	–	618,378
Depreciation and amortization	–	6,195,614	16,414,724	11,746,035	–	34,356,373
Disposals	–	(1,422,311)	(10,534,532)	(4,786,622)	–	(16,743,465)
Balance at end of year	–	33,281,398	61,542,340	72,002,706	–	166,826,444
Net Book Value	₱48,059,673	₱31,368,354	₱16,377,141	₱12,977,123	₱1,969,728	₱110,752,019

	Parent Company					
	Land	**Building and Improvements**	**Transportation Equipment**	**Furniture and Equipment**	**Construction in Progress**	**Total**
2014						
Cost						
Balance at beginning of year	**₱48,059,673**	**₱64,649,752**	**₱77,036,062**	**₱84,277,986**	**₱1,969,728**	**₱275,993,201**
Additions	**8,190,000**	**127,144**	**–**	**12,289,295**	**5,394,684**	**26,001,123**
Disposals	**(4,800,000)**	**–**	**(10,242,387)**	**(7,108,412)**	**–**	**(22,150,799)**
Reclassification	**–**	**–**	**(1,002,600)**	**(450,331)**	**(3,655,644)**	**(5,108,575)**
Balance at end of year	**51,449,673**	**64,776,896**	**65,791,075**	**89,008,538**	**3,708,768**	**274,734,950**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**–**	**33,281,398**	**61,336,210**	**71,432,700**	**–**	**166,050,308**
Depreciation and amortization	**–**	**6,529,782**	**10,536,482**	**9,147,244**	**–**	**26,213,508**
Disposals	**–**	**–**	**(10,911,660)**	**(7,314,799)**	**–**	**(18,226,459)**
Balance at end of year	**–**	**39,811,180**	**60,961,032**	**73,265,145**	**–**	**174,037,357**
Net Book Value	**₱51,449,673**	**₱24,965,716**	**₱4,830,043**	**₱15,743,393**	**₱3,708,768**	**₱100,697,593**

	Parent Company					
	Land	Building and Improvements	Transportation Equipment	Furniture and Equipment	Construction in Progress	Total
2013						
Cost						
Balance at beginning of year	₱49,684,673	₱65,107,063	₱87,595,804	₱81,397,252	₱730,000	₱284,514,792
Additions	–	235,000	306,189	7,967,205	1,969,728	10,478,122
Disposals	–	(1,422,311)	(10,865,931)	(5,086,471)	–	(17,374,713)
Reclassification	(1,625,000)	730,000	–	–	(730,000)	(1,625,000)
Balance at end of year	48,059,673	64,649,752	77,036,062	84,277,986	1,969,728	275,993,201
Accumulated Depreciation and Amortization						
Balance at beginning of year	–	28,508,095	55,574,040	64,513,023	–	148,595,158
Depreciation and amortization	–	6,195,614	16,296,702	11,706,298	–	34,198,614
Disposals	–	(1,422,311)	(10,534,532)	(4,786,621)	–	(16,743,464)
Balance at end of year	–	33,281,398	61,336,210	71,432,700	–	166,050,308
Net Book Value	₱48,059,673	₱31,368,354	₱15,699,852	₱12,845,286	₱1,969,728	₱109,942,893

Land with carrying value of ₱9.5 million partially secures interest-bearing borrowings amounting to ₱25.0 million and ₱37.5 million as at December 31, 2014 and 2013, respectively (Note 20).

The Parent Company granted CMDI the usufruct over certain properties consisting of land and improvements for use as CMDI's office and training center (Note 30).

In 2014, newly constructed buildings in Masbate City and Tagaytay, Cavite were leased out to affiliates and were classified as investment properties. In 2013, the Parent Company reclassified its land located in Cataingan, Masbate to investment property.

Depreciation and amortization on property and equipment and investment properties are included in the following expenses:

	Consolidated		**Parent Company**	
	2014	2013	**2014**	2013
Project related expenses (Note 24)	**₱19,427,226**	₱26,746,024	**₱19,427,226**	₱26,746,024
Health Program	**779,530**	750,822	**779,530**	750,822
Research program	**36,475**	65,393	**36,475**	65,393
Scholarship Program	**11,267**	11,267	**11,267**	11,267
Other expenses (Note 27)	**10,534,864**	11,303,030	**10,132,844**	11,072,944
	₱30,789,362	₱38,876,536	**₱30,387,342**	₱38,646,450

Disposal of property and equipment of the Group and the Parent Company resulted to nil gain in 2014 and ₱0.4 million gain in 2013, which is included in the 'Other income' in the statement of revenue over expenses (Note 27).

As at December 31, 2014 and 2013, the cost of fully-depreciated assets still in use by the Group amounted to ₱85.6 million and ₱84.9 million, respectively.

As at December 31, 2014 and 2013, the cost of fully-depreciated assets still in use in the Parent Company's operations amounted to ₱85.1 million and ₱84.4 million, respectively.

16. **Investment Properties**

The composition of and movements in this account follow:

	Consolidated			
	2014			
	Land	**Building and Improvements**	**Condominium**	**Total**
Cost				
Balance at beginning of the year	**₱24,383,688**	**₱47,308,492**	**₱2,788,500**	**₱74,480,680**
Reclassifications	**980,000**	**3,705,999**	**(2,788,500)**	**1,897,499**
Disposals	**(702,111)**	**–**	**–**	**(702,111)**
Balance at end of year	**24,661,577**	**51,014,491**	**–**	**75,676,068**
Accumulated Depreciation and Amortization				
Balance at beginning of year	**–**	**33,444,184**	**1,674,650**	**35,118,834**
Depreciation	**–**	**4,173,834**	**–**	**4,173,834**
Transfers	**–**	**–**	**(1,674,650)**	**(1,674,650)**
Balance at end of year	**–**	**37,618,018**	**–**	**37,618,018**
Allowance for impairment losses (Note 18)	**5,022,589**	**–**	**–**	**5,022,589**
Net Book Value	**₱19,638,988**	**₱13,396,473**	**₱–**	**₱33,035,461**

	Consolidated			
	2013			
	Land	Building and Improvements	Condominium	Total
Cost				
Balance at beginning of the year	₱16,727,507	₱47,308,492	₱–	₱64,035,999
From business combination	7,447,014	–	2,788,500	10,235,514
Reclassifications	1,625,000	–	–	1,625,000
Disposals	(1,415,833)	–	–	(1,415,833)
Balance at end of year	24,383,688	47,308,492	2,788,500	74,480,680
Accumulated Depreciation and Amortization				
Balance at beginning of year	–	28,996,349	–	28,996,349
From business combination	–	–	1,602,322	1,602,322
Depreciation	–	4,447,835	72,328	4,520,163
Balance at end of year	–	33,444,184	1,674,650	35,118,834
Allowance for impairment losses (Note 18)	5,022,589	–	–	5,022,589
Net Book Value	₱19,361,099	₱13,864,308	₱1,113,850	₱34,339,257

	Parent Company		
	2014		
	Land	**Building and Improvements**	**Total**
Cost			
Balance at beginning of year	**₱18,352,507**	**₱47,308,492**	**₱65,660,999**
Addition	**980,000**	**50,355**	**1,030,355**
Reclassification	**–**	**3,655,644**	**3,655,644**
Balance at end of year	**19,332,507**	**51,014,491**	**70,346,998**
Accumulated Depreciation and Amortization			
Balance at beginning of year	**–**	**33,444,185**	**33,444,185**
Depreciation	**–**	**4,173,834**	**4,173,834**
Balance at end of year	**–**	**37,618,019**	**37,618,019**
Allowance for impairment losses (Note 18)	**5,022,589**	**–**	**5,022,589**
Net Book Value	**₱14,309,918**	**₱13,396,472**	**₱27,706,390**

	Parent Company		
	2013		
	Land	Building and Improvements	Total
Cost			
Balance at beginning of year	₱16,727,507	₱47,308,492	₱64,035,999
Reclassification	1,625,000	–	1,625,000
Balance at end of year	18,352,507	47,308,492	65,660,999
Accumulated Depreciation and Amortization			
Balance at beginning of year	–	28,996,349	28,996,349
Depreciation	–	4,447,836	4,447,836
Balance at end of year	–	33,444,185	33,444,185
Allowance for impairment losses (Note 18)	5,022,589	–	5,022,589
Net Book Value	₱13,329,918	₱13,864,307	₱27,194,225

The Parent Company leased properties to CARD Bank, CARD MBA, CARD BDSFI, CMIT, CARD SME Bank, CMDI and CLFC. Rent income from investment properties included in ‘Other income’ in the statement of revenue over expenses amounted to ₱5.4 million and ₱5.3 million in 2014 and 2013, respectively (Note 27). Direct operating expenses on investment properties that generated rental income in 2014 and 2013 included under ‘Depreciation and amortization’ and ‘Taxes and licenses’, amounted to ₱4.7 million.

17. **Other Assets**

This account consists of:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Financial assets				
Restricted funds	**₱15,992,378**	₱15,799,800	**₱15,992,378**	₱15,799,800
Others	**7,999,880**	4,711,075	**7,998,880**	4,661,475
	23,992,258	20,510,875	**23,991,258**	20,461,275
Nonfinancial assets				
Prepaid expenses	**16,811,224**	17,420,902	**16,692,654**	17,340,401
Prepaid subscription (Note 30)	**23,613,000**	15,700,000	**23,613,000**	15,700,000
Supplies on hand	**–**	4,500	**–**	4,500
	40,424,224	33,125,402	**40,305,654**	33,044,901
	64,416,482	53,636,277	**64,296,912**	53,506,176
Less allowance for impairment losses (Note 18)	**(630,010)**	(2,247,128)	**(630,010)**	(2,247,128)
	₱63,786,472	₱51,389,149	**₱63,666,902**	₱51,259,048

Restricted fund represent grant funds from German Savings Foundation in 1997 intended as revolving fund of CARD Bank earning 2.0% annual interest rate in 2014 and 2013.

Other assets represents loans lent by the Parent Company to SAMIC Limited to assist the latter in providing financial services to micro-entrepreneurs in Cambodia.

18. **Allowance for Credit and Impairment Losses**

The movements in the allowance for credit and impairment losses follow:

	Consolidated							
	2014							
	Receivables from Members (Note 9)							
	Project Assistance Receivable	Member Assistance Receivable	Total	Finance and Lease receivables	Other Receivables (Note 12)	Investment Properties (Note 16)	Other Assets (Note 17)	Total
Balance at beginning	₱128,488,842	₱19,771,624	₱148,260,466	₱555,986	₱6,350,195	₱5,022,589	₱2,247,128	₱162,436,364
Provision for credit and impairment losses	9,019,953	1,515,739	10,535,692	3,764,180	1,183,082	–	242,212	15,725,166
Accounts written-off	(16,131,259)	(1,330,767)	(17,462,026)	–	–	–	(1,859,330)	(19,321,356)
Balance at end of year	₱121,377,536	₱19,956,596	₱141,334,132	₱4,320,166	₱7,533,277	₱5,022,589	₱630,010	₱158,840,174
Individual impairment	₱33,792,582	₱3,425,066	₱37,217,648	₱4,047,869	₱7,533,277	₱5,022,589	₱630,010	₱54,451,393
Collective impairment	87,584,954	16,531,530	104,116,484	272,297	–	–	–	104,388,781
	₱121,377,536	₱19,956,596	₱141,334,132	₱4,320,166	₱7,533,277	₱5,022,589	₱630,010	₱158,840,174
Gross amounts of loans individually determined to be impaired, before deducting any individually assessed impairment losses	₱33,792,582	₱3,425,066	₱37,217,648	₱11,617,260	₱6,350,195			

	Consolidated						
	2013						
	Receivables from Members (Note 9)						
	Project Assistance Receivable	Member Assistance Receivable	Total	Other Receivables (Note 12)	Investment Properties (Note 16)	Other Assets (Note 17)	Total
Balance at beginning	₱138,200,031	₱15,430,034	₱153,630,065	₱5,409,408	₱–	₱2,332,221	₱161,371,694
Provision for credit and impairment losses	17,790,430	6,488,107	24,278,537	940,787	5,022,589	260,111	30,502,024
Reversal	–	–	–	–	–	(345,204)	(345,204)
Accounts written-off	(27,501,619)	(2,146,517)	(29,648,136)	–	–	–	(29,648,136)
Balance at end of year	₱128,488,842	₱19,771,624	₱148,260,466	₱6,350,195	₱5,022,589	₱2,247,128	₱161,880,378
Individual impairment	₱37,872,283	₱5,827,717	₱43,700,000	₱6,350,195	₱5,022,589	₱2,247,128	₱57,319,912
Collective impairment	90,616,559	13,943,907	104,560,466	–	–	–	104,560,466
	₱128,488,842	₱19,771,624	₱148,260,466	₱6,350,195	₱5,022,589	₱2,247,128	₱161,880,378
Gross amounts of loans individually determined to be impaired, before deducting any individually assessed impairment losses	₱37,872,283	₱5,827,717	₱43,700,000	₱6,350,195			

	Parent Company						
	2014						
	Receivables from Members (Note 9)						
	Project Assistance Receivable	**Member Assistance Receivable**	**Total**	**Other Receivables (Note 12)**	**Investment Properties (Note 16)**	**Other Assets (Note 17)**	**Total**
Balance at beginning	**₱128,488,842**	**₱19,771,624**	**₱148,260,466**	**₱6,350,195**	**₱5,022,589**	**₱2,247,128**	**₱161,880,378**
Provision for credit losses and impairment losses	**9,019,953**	**1,515,739**	**10,535,692**	**1,183,082**	**–**	**242,212**	**11,960,986**
Accounts written-off	**(16,131,259)**	**(1,330,767)**	**(17,462,026)**	**–**	**–**	**(1,859,330)**	**(19,321,356)**
Balance at end of year	**₱121,377,536**	**₱19,956,596**	**₱141,334,132**	**₱7,533,277**	**₱5,022,589**	**₱630,010**	**₱154,520,008**
Individual impairment	**₱33,792,582**	**₱3,425,066**	**₱37,217,648**	**₱7,533,277**	**₱5,022,589**	**₱630,010**	**₱50,403,524**
Collective impairment	**87,584,954**	**16,531,530**	**104,116,484**	**–**	**–**	**–**	**104,116,484**
	₱121,377,536	**₱19,956,596**	**₱141,334,132**	**₱7,533,277**	**₱5,022,589**	**₱630,010**	**₱154,520,008**
	2013						
Balance at beginning	₱138,200,031	₱15,430,034	₱153,630,065	₱5,409,408	₱–	₱2,332,221	₱161,371,694
Provision for credit losses and impairment losses	17,790,430	6,488,107	24,278,537	940,787	5,022,589	260,111	30,502,024
Reversal	–	–	–	–	–	(345,204)	(345,204)
Accounts written-off	(27,501,619)	(2,146,517)	(29,648,136)	–	–	–	(29,648,136)
Balance at end of year	₱128,488,842	₱19,771,624	₱148,260,466	₱6,350,195	₱5,022,589	₱2,247,128	₱161,880,378
Individual impairment	₱37,872,283	₱5,827,717	₱43,700,000	₱6,350,195	₱5,022,589	₱2,247,128	₱57,319,912
Collective impairment	90,616,559	13,943,907	104,560,466	–	–	–	104,560,466
	₱128,488,842	₱19,771,624	₱148,260,466	₱6,350,195	₱5,022,589	₱2,247,128	₱161,880,378

19. Accounts Payable and Other Liabilities

This account consists of:

	Consolidated		**Parent Company**	
	2014	2013	**2014**	2013
Financial liabilities				
Accrued expenses	**₱167,577,288**	₱87,687,754	**₱167,136,533**	₱87,530,595
Card Community Scholarship Program	**139,983,349**	113,649,990	**139,983,349**	113,649,990
Subscription payable	**61,136,200**	83,640,700	**61,136,200**	83,640,700
Accounts payable	**23,840,465**	4,342,688	**23,101,929**	4,342,688
Due to affiliates	**20,323,764**	22,204,666	**20,323,764**	22,204,666

(Forward)

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Preferred stock classified as liability	**₱–**	₱7,500,000	**₱–**	₱–
Accrued interest	**5,541,568**	4,083,197	**5,478,235**	3,833,197
Funds held in trust	**4,619,388**	1,453,703	**4,619,388**	1,453,703
	423,022,022	324,562,698	**421,779,398**	316,655,539
Nonfinancial liabilities				
Withholding tax payable	**6,558,692**	11,848,191	**6,551,467**	11,836,102
Income tax payable	**556,452**	–	**556,452**	–
Others	**106,745**	7,857,802	**63,027**	7,535,250
	7,221,889	19,705,993	**7,170,946**	19,371,352
	₱430,243,911	₱344,268,691	**₱428,950,344**	₱336,026,891

Accounts payable-others include grants payable to certain community and scholarship projects of the Group and unearned rent.

Accrued expenses include accruals for vacation leave, client trainings and development, transportation, supplies and materials and other expenses.

Funds held-in-trust represents grants that are allocated for a specific purpose which will be returned to the donor if the specific purpose is not complied with.

20. Borrowings

This account consists of borrowings from financing institutions, which are subject to certain terms and conditions bearing annual interest rates ranging from 0.0% to 9.6% in 2014 and 1.0% to 10.5% in 2013, and are payable in annual, semi-annual and quarterly installments until 2016.

As at December 31, 2014 and 2013, borrowings amounting to ₱1.3 billion and ₱1.4 billion were reported net of unamortized debt issue cost amounting to ₱2.2 million and ₱3.9 million, respectively. Financing obtained from creditors are used to fund the Group's project assistance receivable.

Total borrowings are secured by project assistance receivable amounting to ₱1.1 billion and ₱1.3 billion as at December 31, 2014 and 2013, respectively (Note 9) and land with carrying value of ₱9.5 million (Note 15).

The Group has available credit line on various financial institutions amounting to ₱216.4 million and ₱846.2 million as at December 31, 2014 and 2013, respectively.

Interest expense on borrowings amounted to ₱64.2 million and ₱79.7 million for the years ended December 31, 2014 and 2013, respectively.

21. Due to Members

Due to members represents aggregate contribution of members for capital build-up purposes which then serve as partial security for repayable project assistance receivable granted to them (Note 9). Due to members is built up through weekly members' contribution of ₱50.0 per week in 2014 and 2013.

Administrative fee expenses related to 'Due to Members' amounted to ₱36.4 million and ₱31.6 million in 2014 and 2013, respectively. These expenses are recorded as deduction to 'Administrative fee' income in the statement of revenue over expenses.

22. Maturity Profile of Assets and Liabilities

The table below shows an analysis of the assets and liabilities analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from reporting date (in thousands).

	Consolidated					
	2014			2013		
	Within One Year	**Beyond One Year**	**Total**	Within One Year	Beyond One Year	Total
Financial Assets						
Cash and cash equivalents	**₱723,099**	**₱–**	**₱723,099**	₱692,036	₱–	₱692,036
Short-term investments	**100,000**	**–**	**100,000**	125,000	–	125,000
Receivables	**4,431,745**	**18,712**	**4,450,457**	3,909,973	22,314	3,932,287
AFS investments	**–**	**16,839**	**16,839**	–	14,504	14,504
Other assets	**7,999**	**15,992**	**23,991**	–	20,511	20,511
Nonfinancial Assets						
Investment in subsidiary and associates	**–**	**634,119**	**634,119**	–	451,603	451,603
Property and equipment	**–**	**279,231**	**279,231**	–	277,578	277,578
Investment properties	**–**	**75,676**	**75,676**	–	74,481	74,481
Retirement asset	**–**	**5,787**	**5,787**			
Other assets	**–**	**40,425**	**40,425**	–	33,125	33,125
	5,262,843	**1,086,781**	**6,349,624**	4,727,009	894,116	5,621,125
Less allowance for impairment and credit losses			**(158,840)**			(162,436)
Accumulated depreciation and amortization			**(214,508)**			(201,944)
Total Assets			**₱5,976,276**			₱5,256,745
Financial Liabilities						
Accounts payable and accrued expenses	**₱270,728**	**₱152,272**	**₱423,000**	₱240,828	₱83,735	₱324,563
Borrowings	**1,182,642**	**134,316**	**1,316,958**	1,120,809	253,069	1,373,878
Due to members	**1,967,803**	**–**	**1,967,803**	1,703,096	–	1,703,096
Nonfinancial Liabilities						
Accounts payable and accrued expenses	**7,245**	**–**	**7,245**	19,706	–	19,706
Retirement liability	**–**	**–**	**–**	–	437,462	437,462
Deferred tax liability	**–**	**178**	**178**	–	–	–
Total Liabilities	**₱3,428,418**	**₱286,766**	**₱3,715,184**	₱3,084,439	₱774,266	₱3,858,705

	Parent Company					
	2014			2013		
	Within One Year	**Beyond One Year**	**Total**	Within One Year	Beyond One Year	Total
Financial Assets						
Cash and cash equivalents	**₱720,057**	**₱–**	**₱720,057**	₱681,436	₱–	₱681,436
Short-term investments	**100,000**	**–**	**100,000**	125,000	–	125,000
Receivables	**4,402,968**	**8,504**	**4,411,472**	3,897,712	312	3,898,024
AFS investments	**–**	**16,839**	**16,839**	–	14,504	14,504
Other assets	**7,999**	**15,992**	**23,991**	–	20,461	20,461
Nonfinancial Assets						
Investment in subsidiary and associates	**–**	**659,195**	**659,195**	–	476,679	476,679
Property and equipment	**–**	**274,735**	**274,735**	–	275,993	275,993
Investment properties	**–**	**70,347**	**70,347**	–	65,661	65,661
Retirement Asset	**–**	**5,891**	**5,891**	–	–	–
Other assets	**–**	**40,306**	**40,306**	–	33,045	33,045
	5,231,024	**1,091,809**	**6,322,833**	4,704,148	886,655	5,590,803
Less allowance for impairment and credit losses			**(154,520)**			(161,880)
Accumulated depreciation and Amortization			**(211,655)**			(199,494)
Total Assets			**₱5,956,658**			₱5,229,429
Financial Liabilities						
Accounts payable and accrued expenses	**₱269,508**	**₱152,272**	**₱421,780**	₱316,521	₱135	₱316,656
Borrowings	**1,182,642**	**129,316**	**1,311,958**	1,120,809	253,069	1,373,878
Due to members	**1,967,803**	**–**	**1,967,803**	1,703,096	–	1,703,096
Nonfinancial Liabilities						
Accounts payable and accrued expenses	**7,171**	**–**	**7,171**	19,371	–	19,371
Retirement liability	**–**	**–**	**–**	–	436,855	436,855
Total Liabilities	**₱3,427,124**	**₱281,588**	**₱3,708,712**	₱3,159,797	₱690,059	₱3,849,856

23. Retirement Plan

The Parent Company, CARD Bank, Inc., CARD Mutual Benefit Association (MBA), Inc., CARD SME Bank, Inc., CARD MRI Insurance Agency (CAMIA), Inc., CARD Business Development Service Foundation (BDSF), Inc., CARD MRI Information Technology (CMIT), Inc., BotiCARD, Inc., and CARD MRI Development Institute (CMDI), Inc. maintain a funded and formal noncontributory defined benefit retirement plan - the CARD MRI Multi-Employer Retirement Plan (the Plan) - covering all of their regular employees. The Plan has a projected unit cost format and is financed solely by the Group and its related parties. The Plan complies with the requirement of Republic Act No. 7641 (The Philippine Retirement Law). The Plan provides lump sum benefits equivalent to 120% of final salary for every year of credited service, a fraction of at least six (6) months being considered as one whole year upon retirement, death, total and permanent disability, or early retirement after completion of at least one year of service with the participating companies. In 2014, the Subsidiary has joined the Plan.

In 2013, the Subsidiary provided for the estimated retirement benefits required to be paid under RA No. 7641. Under revised PAS 19, Employee Benefits, the cost of the defined retirement benefits, including those mandated under RA No. 7641, should be determined by actuarial valuation which the Subsidiary did not undertake in 2013. Subsidiary's management believes that the defined benefit obligation computed using the provisions of RA No. 7641 is not materially different with the amount computed using the projected unit credit method required under PAS 19R in 2013.

Changes in the consolidated net defined benefit liability (asset) for 2014 and 2013 are as follow:

	Consolidated												
	2014												
		Net benefit cost in the statement of revenue over expenses						**Remeasurements in other comprehensive income**					
	January 1, 2014	**Current service cost**	**Net interest**	**Net pension expense**	**Benefits paid**	**Transfer from (to) plan assets**	**Return on plan assets (excluding amount included in net interest)**	**Actuarial changes arising from changes in demographic assumptions**	**Actuarial changes arising from changes in financial assumptions**	**Changes in the effect of limiting net defined benefit to the asset ceiling**	**Subtotal**	**Contribution by employer**	**December 31, 2014**
Present value of defined benefit obligation	**₱616,223,106**	**₱111,789,461**	**₱39,300,344**	**₱151,089,805**	**(₱1,162,891)**	**(₱12,910,734)**	**₱–**	**(₱149,188,048)**	**(₱297,041,885)**	**₱ –**	**(₱446,229,933)**	**₱–**	**₱307,009,353**
Fair value of plan assets	**(178,761,403)**	**–**	**(15,535,948)**	**(15,535,948)**	**1,162,891**	**12,910,734**	**10,839,858**	**–**	**–**	**–**	**10,839,858**	**(143,675,298)**	**(313,059,166)**
Effects of asset ceiling	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**262,750**	**262,750**	**–**	**262,750**
Net defined benefit liability (asset)	**₱437,461,703**	**₱111,789,461**	**₱23,764,396**	**₱135,553,857**	**₱–**	**₱–**	**₱10,839,858**	**(₱149,188,048)**	**(₱297,041,885)**	**₱262,750**	**(₱435,127,325)**	**(₱143,675,298)**	**(₱5,787,063)**

	Consolidated												
	2013												
		Net benefit cost in the statement of revenue over expenses						Remeasurements in other comprehensive income					
	January 1, 2013	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, 2013
Present value of defined benefit obligation	₱575,114,917	₱104,897,792	₱35,623,148	₱140,520,940	(₱1,244,039)	(₱46,362,320)	₱–	(₱21,530,512)	(₱30,275,880)	₱–	(₱51,806,392)	₱–	₱616,223,106
Fair value of plan assets	(159,259,179)	–	(10,258,272)	(10,258,272)	1,244,039	46,362,320	3,149,689	–	–	–	3,149,689	(60,000,000)	(178,761,403)
Effects of asset ceiling	–	–	–	–	–	–	–	–	–	–	–	–	–
Net defined benefit liability (asset)	₱415,855,738	₱104,897,792	₱25,364,876	₱ 130,262,668	₱–	₱–	₱3,149,689	(₱21,530,512)	(₱30,275,880)	₱–	(₱48,656,703)	(₱60,000,000)	₱437,461,703

Changes in the Parent Company’s net defined benefit liability (asset) for 2014 and 2013 are as follow:

	Parent Company 2014												
		Net benefit cost in the statement of revenue over expenses					**Remeasurements in other comprehensive income**						
	January 1, 2014	**Current service cost**	**Net interest**	**Net pension expense**	**Benefits paid**	**Transfer from (to) plan assets**	**Return on plan assets (excluding amount included in net interest)**	**Actuarial changes arising from changes in demographic assumptions**	**Actuarial changes arising from changes in financial assumptions**	**Changes in the effect of limiting net defined benefit to the asset ceiling**	**Subtotal**	**Contribution by employer**	**December 31, 2014**
Present value of defined benefit obligation	**₱615,616,077**	**₱111,716,524**	**₱39,276,306**	**₱150,992,830**	**(₱1,162,891)**	**(₱13,185,362)**	**₱–**	**(₱148,462,465)**	**(₱297,167,645)**	**₱–**	**(₱445,630,110)**	**₱–**	**₱306,630,544**
Fair value of plan assets	**(178,761,403)**	**–**	**(15,530,510)**	**(15,530,510)**	**1,162,891**	**13,185,362**	**10,834,420**	**–**	**–**	**–**	**10,834,420**	**(143,675,298)**	**(312,784,538)**
Effects of asset ceiling	**–** **–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**262,750**	**262,750**	**–**	**262,750**
Net defined benefit liability (asset)	**₱436,854,674**	**₱111,716,524**	**₱23,745,796**	**₱135,462,320**	**₱–**	**₱–**	**₱10,834,420**	**(₱148,462,465)**	**(₱297,167,645)**	**₱262,750**	**(₱434,532,940)**	**(₱143,675,298)**	**(₱5,891,244)**

	Parent Company 2013												
		Net benefit cost in the statement of revenue over expenses					Remeasurements in other comprehensive income						
	January 1, 2013	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, 2013
Present value of defined benefit obligation	₱574,566,900	₱104,838,780	₱35,623,148	₱140,461,928	(₱1,244,039)	(₱46,362,320)	₱–	(₱21,530,512)	(₱30,275,880)	₱–	(₱51,806,392)	₱–	₱615,616,077
Fair value of plan assets	(159,259,179)		(10,258,272)	(10,258,272)	1,244,039	46,362,320	3,149,689	–	–	–	3,149,689	(60,000,000)	(178,761,403)
Net defined benefit liability (asset)	₱415,307,721	₱104,838,780	₱25,364,876	₱130,203,656	₱–	₱–	₱3,149,689	(₱21,530,512)	(₱30,275,880)	₱–	(₱48,656,703)	(₱60,000,000)	₱436,854,674

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	
	2014	2013	**2014**	2013
Cash and cash equivalents	**₱123,094,864**	₱96,906,557	**₱122,986,880**	₱96,906,557
Unquoted long term investments:				
Debt securities	**143,600,239**	65,140,655	**143,474,267**	65,140,655
Equity securities	–	1,126,197	–	1,126,197
Loans	**34,686,956**	11,047,455	**34,656,527**	11,047,455
Mutual funds	**2,942,757**	2,466,907	**2,940,175**	2,466,907
Others	**8,734,350**	2,073,632	**8,726,689**	2,073,632
Fair value of plan assets	**₱313,059,166**	₱178,761,403	**₱312,784,538**	₱178,761,403

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

Included in the fund assets are transactions with the Group such as time deposits, investment in subordinated debts and investment in shares of stock.

The Group and the Parent Company plans to contribute ₱143.7 million to the defined benefit retirement plan in 2015.

The management performs an Asset-Liability Matching Study (ALM) annually. 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 cost of defined benefit retirement plan as well as the present value of the defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension for the defined benefit plans are shown below:

	Parent Company		Subsidiary	
	2014	2013	**2014**	2013
Discount rate	**4.5%**	6.4%	**5.6%**	–
Future salary increases	**7.0%**	12.0%	**7.0%**	–

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 if all other assumptions were held constant:

	Consolidated			
	2014		2013	
	Increase of 1.0%	**Decrease of 1.0%**	Increase of 2.5%	Decrease of 1.0%
Discount rate	**(₱65,515,527**	**₱86,371,420**	(₱292,540,225)	₱190,263,885
Salary rate	**79,745,935**	**(62,558,859)**	390,066,840	(133,099,285)

	Parent Company			
	2014		2013	
	Increase of 1.0%	**Decrease of 1.0%**	Increase of 2.5%	Decrease of 1.0%
Discount rate	**(₱65,440,179)**	**₱86,274,607**	(₱292,540,225)	₱190,263,885
Salary rate	**79,655,672**	**(62,486,436)**	390,066,840	(133,099,285)

Shown below are the 10-year maturity analyses of the undiscounted benefit payments of the Group and the Parent Company:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Less than 1 year	**1,840,482**	–	**1,840,482**	–
More than 1 year to 5 years	**7,482,212**	10,954,563	**7,482,212**	10,954,563
More than 5 years to 10 years	**21,614,923**	2,848,937	**21,614,923**	2,848,937

The average duration of the defined benefit retirement liability at the end of the reporting period ranges from 26.3 to 28.8 years for the Group and 28.8 years for the Parent Company.

24. **Project Related Expenses**

This account consists of:

	Parent Company	
	2014	2013
Salaries, wages and employee benefits (Note 23)	**₱914,707,863**	₱855,785,527
Transportation and travel	**178,804,892**	154,584,379
Supplies and materials	**85,575,197**	67,861,472
Staff training and development (Note 30)	**74,487,618**	50,208,455
Rental expenses (Note 29)	**71,614,832**	68,383,190
Interest expense (Note 20)	**64,169,480**	79,650,910
Information technology (Note 30)	**34,259,181**	32,605,198
Program monitoring and evaluation	**29,840,614**	19,705,484
Janitorial, messengerial and security	**25,419,065**	23,939,736
Client training and development	**24,123,787**	12,406,025
Utilities	**22,167,582**	20,603,124
Depreciation and amortization (Notes 15)	**19,427,226**	26,746,024
Communication and postage	**16,749,386**	12,934,333
Taxes and licenses	**12,534,748**	15,878,919
Repairs and maintenance	**12,176,825**	11,099,674
Provision for credit and impairment losses (Note 18)	**10,535,692**	25,259,324
Seminars and meetings	**7,536,380**	5,716,429
Insurance expense	**3,117,705**	3,705,275
Others	**28,320,594**	21,998,302
	₱1,635,568,667	₱1,509,071,780

Other expenses include supervision and examination, management and other professional fees and other miscellaneous expenses.

25. **Income and Other Taxes**

Under Philippine tax laws, the Group is subject to percentage and other taxes (presented under 'Other administrative expenses' in the statement of revenue over expenses). The Subsidiary's percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp tax.

The Parent Company is a registered donee institution in accordance with the provisions of BIR-NEDA Regulations N. 1-81, effective April 30, 1981 and is entitled to the benefits set forth in Section 30 (h) of the National Internal Revenue Code, as amended by Batas Pambansa Bilang 45, subject to the representations and commitments set forth in the application for registration filed with the Government and Tax Exempt Corporations Division, Bureau of Internal Revenue, Quezon City, the provisions of applicable rules and regulations, the terms and conditions.

Income taxes include corporate income tax for RISE, as discussed below, and final taxes paid at the rate of 20.0%, which is a final withholding tax on gross interest income from deposit substitutes.

Current tax regulations provide that RCIT rate is 30.0%. Interest expense allowed as deductible expense is reduced by 33.0% of interest income subject to final tax.

Current tax regulation also 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, the EAR allowed as a deductible expense for a service company is limited to the actual EAR paid or incurred but not to exceed 1.0% of net revenue.

The Group's EAR expenses included under 'Other administrative expenses' in the statement of revenue over expenses in 2014 and 2013 amounted to ₱1.4 and ₱0.7 million, respectively. The Parent Company's EAR expenses included under 'Other administrative expenses' in the statement of revenue over expenses amounted to ₱1.3 million in 2014 and ₱0.7 million in 2013, respectively (see Note 27).

The reconciliation between the statutory income tax and the effective income tax of the Group and the Parent Company follows:

	Consolidated	
	2014	2013
Statutory income tax	**₱103,852,577**	₱95,842,943
Income tax effects of:		
Income from tax exempt activities	**(624,873,178)**	(588,300,515)
Expenses form tax exempt activities	**520,629,782**	493,588,160
Change in unrecognized deferred tax asset	**1,562,298**	698,932
Gain on sale subjected to capital gains taxes	**(116,412)**	(1,834,876)
Expired MCIT	**75,894**	91,651
Interest income subject to final tax	**(1,074)**	(9,043)
Nondeductible interest expense	**1,063**	8,952
	₱1,130,950	₱86,204

	Parent	
	2014	2013
Statutory income tax	**₱105,392,320**	₱94,802,355
Income tax effects of:		
Income from tax exempt activities	**(624,873,178)**	(588,300,515)
Expenses from tax exempt activities	**520,557,322**	493,498,160
	₱1,076,464	₱–

26. Grants

Grants consist of donations received from various donors in which the Parent Company may freely use the amount for its mandated activities. The Parent Company recognized in full in the period specified by the donor wherein sufficient verifiable evidence exists that a commitment was made by the donor.

The table below shows the cumulative grants received from the various donors of the Parent Company:

	2014	2013
Balance at beginning	**₱303,907,207**	₱275,908,980
Grants/donations during the year	**27,741,147**	27,998,227
Balance at end of the year	**₱331,648,354**	₱303,907,207

27. Other Income and Other Administrative Expenses

Other income consists of:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Interest (Notes 6 and 7)	**₱6,533,908**	₱9,772,018	**₱6,533,908**	₱9,772,018
Rent (Notes 16 and 29)	**5,413,263**	5,303,263	**5,413,263**	5,303,263
Interest income on loans and receivables	**3,664,706**	2,779,957	**–**	–
Dividend income (Note 30)	**3,304,604**	205,416	**3,304,604**	205,416
Gain on sale of investment properties	**80,890**	256,667	**–**	–
Gain on bargain purchase of RISE	**–**	77,648	**–**	–
Miscellaneous	**6,226,592**	11,565,496	**5,721,546**	8,236,716
	₱25,223,963	₱29,960,465	**₱20,973,321**	₱23,517,413

Miscellaneous income pertains to income earned from loan due of CARD BDSFI and wholesale program.

Other administrative expenses consist of:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Salaries, wages and employee benefits (Note 23)	**₱30,568,394**	₱26,170,539	**₱28,465,009**	₱25,642,391
Depreciation and amortization (Notes 15)	**10,534,864**	11,303,030	**10,132,844**	11,072,944
Taxes and licenses	**5,450,797**	6,882,964	**5,196,237**	6,748,060
Staff training and development	**5,062,735**	5,873,931	**5,062,735**	5,873,931
Provision for impairment losses	**5,189,474**	5,282,700	**1,425,294**	5,282,700
Seminars and meetings	**6,610,746**	5,170,150	**6,572,067**	4,988,150
Transportation and travel	**5,866,349**	4,032,398	**5,445,577**	3,593,046
Program monitoring and evaluation	**4,985,387**	2,921,351	**4,985,387**	2,921,351
Management and other professional fees	**3,313,530**	2,250,539	**3,058,737**	2,091,499
Supplies and materials	**2,180,447**	1,366,578	**2,153,308**	1,285,491
Loss on the difference of fair value and carrying value of acquire	**–**	1,049,861	**–**	1,049,861
Representation	**1,339,164**	723,198	**1,252,277**	701,645
Miscellaneous	**7,568,859**	7,135,402	**5,028,275**	5,606,321
	₱88,670,746	₱80,162,641	**₱78,777,747**	₱76,857,390

28. Commitments and Contingencies

There are commitments, guarantees and contingent liabilities that arise in the normal course of the Group's operations which are not reflected in the accompanying financial statements. The management is of the opinion that losses, if any, from these commitments and contingencies will not have a material effect on the Group's financial statements as at December 31, 2014 and 2013.

29. Lease Contracts

As lessee

The Parent Company leases the premises occupied by its unit offices, as well as staff houses of its employees. The lease contracts are for periods ranging from five months to 13 months and are renewable upon mutual agreement between the Group and the lessors. In 2014 and 2013, total 'Rental expense' under 'Project related expenses' amounted to ₱71.6 million and ₱68.3 million, respectively (Note 24).

The Group's future aggregate minimum lease payments within one year in 2014 and 2013 under non-cancelable operating leases amounted to ₱35.2 million and ₱27.5 million, respectively.

As lessor

The Parent Company's operating lease contracts generally have terms of three to five years, except for the lease contract entered into with CARD SME Bank with a one-year term. Operating lease income included under 'Other income' in 2014 and 2013 amounted to ₱5.4 million and ₱5.3 million, respectively (Note 27).

The future aggregate minimum rentals receivable under operating lease of the Parent Company are as follow:

	Within one year		**After one year but within five years**	
	2014	2013	**2014**	2013
Aggregate minimum rentals receivable	**12,851,000**	19,268,210	**24,388,053**	19,268,210

30. **Related Party Transactions**

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

- key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members, and
- other related parties within the CARD MRI Group

The Group has business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectability or present other unfavorable conditions.

Remunerations of Key Management Personnel

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

The compensation of key management personnel included under 'Project related expenses' and 'Other administrative expenses' in the statement of revenue over expenses are as follows:

	Parent Company	
	2014	2013
Short-term employee benefits	**₱23,476,770**	₱19,417,434
Post employment benefits	**9,409,035**	3,906,110
	₱32,885,805	₱23,323,544

As at December 31, 2014 and 2013, no short-term and post-employment benefits were provided to key management personnel of the Subsidiary.

Other related party transactions

Transactions between the Group and its key management personnel meet the definition of related party transactions. Transactions between the Group and its associates and other related party within the CARD MRI, also qualify as related party transactions.

Cash and cash equivalents, accounts payable and accounts receivable

Cash and cash equivalents, accounts payable and accounts receivable held by the Group for key management personnel, associates, and other related party as at December 31, 2014 and 2013 follow:

	December 31, 2014		
Category	**Amount / Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Subsidiary:			
Due to affiliates		**₱–**	The amount represents the Parent Company's share of expenses still payable to the Subsidiary.
Billings	**₱52**		
Collections	**(52)**		
Due from affiliates		**–**	The amount represents the Subsidiary's share of expenses still payable to the Parent Company.
Billings	**27,925**		
Collections	**(28,545)**		
Associates:			
Cash and cash equivalents		**92,442,319**	These are savings, checking and time deposit accounts with annual interest rates ranging from 1.5% to 4.0%
Deposits	**382,498,154**		
Withdrawals	**(475,223,352)**		
Due to affiliates		**3,355,609**	The amount represents the Parent Company's share of expenses still payable to the associates.
Billings	**14,850,834**		
Payments	**(15,037,503)**		
Due from affiliates		**197,560**	The amount represents the associates' share of expenses still payable to the Parent Company.
Billings	**33,641,502**		
Collections	**(33,893,484)**		
Other related parties:			
Due to affiliates		**16,968,156**	The amount represents the Parent Company's share of expenses still payable to the affiliates.
Billings	**31,297,897**		
Payments	**(32,992,129)**		
Due from affiliates		**9,049,139**	The amount represents the affiliates' share of expenses still payable to the Parent Company.
Billings	**10,582,407**		
Collections	**(62,903,140)**		

	December 31, 2013		
Category	Amount / Volume	Outstanding Balance	Nature, Terms and Conditions
Subsidiary:			
Due from affiliates		₱620	The amount represents the Subsidiary's share of expenses still payable to the Parent Company.
Billings	₱5,106		
Collections	(4,486)		
Associates:			
Cash and cash equivalents		185,167,517	These are savings, checking and time deposit accounts with annual interest rates ranging from 1.5% to 4.0%
Deposits	284,804,927		
Withdrawals	(233,597,967)		
Due to affiliates		3,542,278	The amount represents the Parent Company's share of expenses still payable to the associates.
Billings	23,721,853		
Payments	(20,409,786)		
Due from affiliates		449,542	The amount represents the associates' share of expenses still payable to the Parent Company.
Billings	21,843,507		
Collections	(21,877,311)		
Other related parties:			
Due to affiliates		18,662,388	The amount represents the Parent Company's share of expenses still payable to the affiliates.
Billings	57,595,880		
Payments	(57,680,168)		
Due from affiliates		61,369,872	The amount represents the affiliates' share of expenses still payable to the Parent Company.
Billings	31,737,472		
Collections	(11,480,370)		

Others
Other related party transactions of the Group are as follows:

	2014	2013	Nature, Terms and Conditions
Statement of Assets, Liabilities and Fund Balance			
Subsidiary:			
Investment in subsidiary	**₱23,987,258**	₱23,987,258	Investment in common shares with 61.9% ownership (Note 14)
Associates:			
AFS investment	**2,618,000**	2,517,400	This pertains to investment in preferred shares to CARD Bank (13,090 shares at 200 per share)
Investment in associate	**634,119,569**	451,603,402	Investment in common shares that gives rise to a significant influence (Note 14)
Dividend received	**54,866,471**	36,325,904	Share of dividend from investment in associates
Other assets	**15,992,378**	15,799,800	This pertains to grant fund from German Savings Foundation intended as revolving fund of CARD Bank (Note 17)
Subscription payable	**60,690,300**	83,640,700	Represents payable for the shares of stock
Prepaid Subscription	**23,613,000**	15,700,000	Represents deposit for future stock subscription to CAMIA, BotiCARD and RRB
Other related parties:			
Unearned rent income	**135,076**	244,212	This pertains to unearned income from premises rented out by the Parent Company to CARD BDSF. This is recorded under 'Accounts payable and accrued expenses' (Note 19)
Statement of Comprehensive Income			
Associates:			
Equity in net earnings (loss)	**₱140,773,538**	₱94,627,528	Equity share in net income of associates (Note 14 and 27)
Interest income	**3,740,637**	15,488,972	These are interest earned by savings and time deposit accounts of the Group
Dividend income	**414,760**	205,416	This pertains to dividend earned from preferred share AFS investment of the Group
Rent income	**4,773,158**	4,623,158	These are income earned from premises rented out by the Parent Company to other CARD MRI institutions
Information technology	**30,807,556**	30,262,395	This pertains to the CMIT's rendered services in relation to system maintenance agreement and upgrade of the Group's core banking system (CBS) (Note 24)
Other related parties:			
Rent income	**640,105**	680,105	These are income earned from premises rented out by the Parent Company to other CARD MRI institutions
Seminars and training	**59,631,446**	39,768,842	These are trainings and development of the members and employees conducted by CMDI. Related seminars and training expenses incurred are shown as part of 'Staff training and development' and 'Client training and development' in the statement of revenue over expenses
Interest income	**1,131,648**	1,310,777	This pertains to interest earned by the Group from loans granted to CARD BDSFI
Grants and donations	**41,416,857**	15,000,000	These are grants and donations provided for by the Parent Company as assistance for the operations of other CARD MRI institutions

Other related party transactions include:

a. The Parent Company entered into a usufruct agreement with CMDI. The grant of the usufruct was made by the Parent Company without consideration and for the purpose of assisting CMDI in its objective of pursuing the development of microfinance in the country. The usufruct shall be for a period of ten years from July 1, 2005 to June 30, 2015, unless sooner terminated as provided in the usufruct agreement. The usufruct is subject to certain terms and conditions as agreed by the Parent Company and CMDI.

b. In 2014, the Parent Company transitioned 6, 15, and 18 units to CARD Bank, CARD SME Bank and Rizal Rural Bank, respectively.

31. Appropriation of Fund Balance

On June 20, 2009, the Parent Company's BOT approved the appropriation of ₱50.0 million for future acquisitions and/or improvements of investment properties. All subsequent receipts generated from these investment properties are also treated as additional appropriated fund in the succeeding years.

On December 31, 2014 and 2013, receipts of rental income amounting to ₱5.4 million and ₱5.3 million, respectively, are appropriated, bringing the total appropriation to ₱75.8 million and ₱70.4 million as at December 31, 2014 and 2013, respectively (Note 16).

32. Notes to Statements of Cash Flow

Noncash activities of the Group consist of the following:

	2014
Noncash investing activities:	
Grant of land to an affiliate	**₱4,800,000**
Reclassification from property and equipment to investment properties	**3,655,644**

33. Approval for the Release of the Financial Statements

The accompanying financial statements of the Group were reviewed and approved for release by the Parent Company's BOT on March 21, 2015.

34. 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 2014:

The components of Taxes and licenses recognized in the statement of revenue over expenses follow:

Deficiency tax	₱3,990,854
Business permits and licenses	8,428,052
Documentary stamp tax	3,928,103
Real property tax	1,098,302
Community tax certificate	25,877
Others	259,797
	₱17,730,985

Deficiency taxes pertain to value added taxes, documentary stamps and withholding taxes, incurred for calendar year 2012. These were pursuant with Letter of Authority No. 055-2014-00000064 dated September 4, 2014.

Withholding taxes in 2014 are categorized into:

	Paid	Accrued
Compensation and benefits	₱23,909,102	₱5,613,413
Expanded withholding tax - rent expense:	3,421,762	465,927
Final income taxes	465,068	50,092
Expanded withholding tax- professional fee	40,700	3,033
Expanded withholding tax – others	1,530,989	419,002
	₱29,367,621	₱6,551,467