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

(A Nonstock, Not-for-Profit Organization)

Financial Statements
December 31, 2012 and 2011

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.

COVER SHEET

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SEC Registration Number

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

(Company's Full Name)

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

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

Ms. Flordeliza L. Sarmiento

(Contact Person)

(049) 561-2018

(Company Telephone Number)

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Month	*Day*		(Form Type)		*Month*	*Day*
(Fiscal Year)					(Annual Meeting)	

Not Applicable

(Secondary License Type, If Applicable)

SEC

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

Total Amount of Borrowings

Not Applicable

Total No. of Stockholders

₱1.2 billion

Domestic

None

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

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CENTER FOR AGRICULTURE AND RURAL DEVELOPMENT (CARD), INC.

(A Nonstock, Not-for-Profit Organization)

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2012	2011
ASSETS		
Cash and cash equivalents (Note 6)	**₱324,375,234**	₱573,571,558
Short-term investments (Note 7)	**84,500,000**	–
Receivables:		
Receivables from members (Note 8)	**3,291,481,700**	3,277,070,303
Due from affiliates (Notes 9 and 27)	**41,596,117**	39,227,394
Other receivables (Note 10)	**87,487,267**	130,963,789
Available-for-sale investments (Note 11)	**15,698,840**	9,097,900
Investment in associates (Notes 12 and 27)	**371,314,572**	257,912,828
Property and equipment (Note 13)	**135,919,633**	126,423,246
Investment properties (Note 14)	**35,039,650**	35,481,118
Other assets (Notes 15 and 27)	**57,120,201**	48,520,892
	₱4,444,533,214	₱4,498,269,028
LIABILITIES AND EQUITY		
Liabilities		
Accounts payable and accrued expenses (Note 17)	**₱236,155,181**	₱241,932,453
Retirement liability (Note 21)	**98,064,085**	–
Borrowings (Note 18)	**1,200,676,258**	1,541,865,839
Due to members (Note 19)	**1,506,391,019**	1,501,407,757
Total Liabilities	**3,041,286,543**	3,285,206,049
Equity		
Fund balance (Note 28):		
Appropriated	**65,100,000**	59,900,000
Unappropriated	**1,338,028,968**	1,153,045,276
Share in other comprehensive income of associates (Note 12)	**309,477**	309,477
Net unrealized losses on available-for-sale investments (Note 11)	**(191,774)**	(191,774)
Total Equity	**1,403,246,671**	1,213,062,979
	₱4,444,533,214	₱4,498,269,028

See accompanying Notes to Financial Statements.

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

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2012	2011
REVENUE AND OTHER INCOME		
Administrative fee (Note 8)	**₱1,664,064,038**	₱1,826,148,550
Grants (Note 23)	**14,915,857**	12,192,598
Others (Note 24)	**107,919,890**	83,876,372
	1,786,899,785	1,922,217,520
COSTS AND EXPENSES		
Project related expenses (Note 22)	**1,520,628,033**	1,546,227,061
Grants and donations (Note 27)	**27,571,400**	54,690,730
Research	**4,039,379**	8,012,537
Health program	**2,402,273**	–
Scholarship program	**918,340**	–
Others (Note 24)	**41,156,668**	37,229,893
	1,596,716,093	1,646,160,221
EXCESS OF REVENUE OVER EXPENSES	**190,183,692**	276,057,299
OTHER COMPREHENSIVE INCOME		
Share in other comprehensive income of associates (Note 12)	**–**	309,477
	–	309,477
TOTAL COMPREHENSIVE INCOME	**₱190,183,692**	₱276,366,776

See accompanying Notes to Financial Statements.

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

STATEMENTS OF CHANGES IN EQUITY

	Fund Balance (Note 28)		**Net Unrealized Losses on Available-for-Sale Investments** (Note 11)	**Share in Other Comprehensive Income of Associates** (Note 12)	**Total**
	Appropriated	**Unappropriated**			
Balance at January 1, 2012	**₱59,900,000**	**₱1,153,045,276**	**(₱191,774)**	**₱309,477**	**₱1,213,062,979**
Appropriation during the year	**5,200,000**	**(5,200,000)**	**–**	**–**	**–**
Total comprehensive income	**–**	**190,183,692**	**–**	**–**	**190,183,692**
Balance at December 31, 2012	**₱65,100,000**	**₱1,338,028,968**	**(₱191,774)**	**₱309,477**	**₱1,403,246,671**
Balance at January 1, 2011	₱54,600,000	₱882,287,977	(₱191,774)	₱–	₱936,696,203
Appropriation during the year	5,300,000	(5,300,000)	–	–	–
Total comprehensive income	–	276,057,299	–	309,477	276,366,776
Balance at December 31, 2011	₱59,900,000	₱1,153,045,276	(₱191,774)	₱309,477	₱1,213,062,979

See accompanying Notes to Financial Statements.

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

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	**₱190,183,692**	₱276,057,299
Adjustments for:		
Pension expense (Note 21)	**129,425,285**	77,386,900
Interest expense (Note 22)	**111,811,450**	154,090,878
Equity in net earnings of associates (Note 12)	**(74,256,037)**	(57,283,088)
Depreciation and amortization (Note 13)	**44,207,057**	41,671,908
Provision for credit and impairment losses (Notes 14, 15, 16, 22 and 24)	**23,568,503**	87,803,461
Interest income (Note 23)	**(15,265,309)**	(16,193,945)
Dividend income (Note 24)	**(3,153,469)**	(201,392)
Amortization of debt issue costs (Note 18)	**2,597,241**	2,096,356
Gain on disposal of property and equipment (Note 13)	**(441,648)**	(547,756)
Changes in operating assets and liabilities:		
Decrease (increase) in amounts of:		
Receivables	**(14,075,231)**	(542,286,077)
Other assets	**(84,972,159)**	(3,010,289)
Increase (decrease) in amounts of:		
Retirement liability	**98,064,085**	–
Due to members	**4,983,262**	486,796,797
Accounts payable and accrued expenses	**(167,583)**	75,424,119
Net cash flows generated from operations	**412,509,139**	581,805,171
Interest paid	**(117,421,139)**	(157,893,582)
Contributions to the retirement plan (Note 21)	**(29,824,753)**	(17,112,720)
Interest received	**17,696,652**	14,815,625
Net cash flows provided by operating activities	**282,959,899**	421,614,494
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal or maturity of:		
Property and equipment (Note 13)	**3,863,943**	4,221,622
Short term investment (Note 7)	**–**	2,671,097
Acquisitions of:		
Investment in associates (Note 12)	**(66,193,000)**	(8,158,800)
Property and equipment (Note 13)	**(51,887,062)**	(31,681,127)
Available-for-sale investments (Note 11)	**(6,600,940)**	–
Investment properties (Note 14)	**(74,620)**	–
Placement of short term investment (Note 7)	**(84,500,000)**	–
Dividends received (Notes 11 and 12)	**40,507,278**	5,775,465
Prepaid subscription of equity shares (Note 15)	**(12,735,000)**	(8,000,000)
Other investment (Note 15)	**(10,750,000)**	–
Net cash flows used in investing activities	**(188,369,401)**	(35,171,743)

(Forward)

	Years Ended December 31	
	2012	2011
CASH FLOWS FROM FINANCING ACTIVITIES		
Settlement of borrowings	**(₱718,786,822)**	(₱1,213,347,782)
Proceeds from borrowings	**375,000,000**	1,055,000,000
Payment of debt issue costs	**–**	(11,489,366)
Net cash flows used in financing activities	**(343,786,822)**	(169,837,148)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(249,196,324)**	216,605,603
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**573,571,558**	356,965,955
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱324,375,234**	₱573,571,558

See accompanying Notes to Financial Statements.

CENTER FOR AGRICULTURE AND RURAL DEVELOPMENT (CARD), INC.
(A Nonstock, Not-For-Profit Organization)

NOTES TO FINANCIAL STATEMENTS

1. Organizational Information

Center for Agriculture and Rural Development (CARD), Inc. (the Organization), a nonstock, not-for-profit organization, was incorporated in the Philippines on October 14, 1986. The Organization 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.

The Organization is a member of CARD - Mutually Reinforcing Institutions (MRI).

Being not organized for profit and since no part of its net income inures to the benefit of any private individual or member, the Organization 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 Organization is located at 20 M. L. Quezon Street, City Subdivision, San Pablo City, Laguna. As at December 31, 2012 and 2011, the Organization had 703 and 710 branches, respectively.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying financial statements have been prepared on a historical cost basis, except for available-for-sale (AFS) investments which have been measured at fair value. The Organization's financial statements are presented in Philippine peso, the Organization's functional currency. All values are rounded to the nearest peso except when otherwise indicated.

Statement of Compliance
The accompanying financial statements of the Organization have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Presentation of Financial Statements
The Organization presents its statement of financial position 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 20.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year. The issuance of and the amendments to the following Philippine Accounting Standards (PAS) and PFRS which became effective as at January 1, 2012, did not have any impact on the financial position or performance of the Organization.

PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets* (Amendments)
The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendments affect disclosures only and have no impact on the Organization's financial position or performance.

PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets* (Amendments)
This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, Property, Plant and Equipment, always be measured on a sale basis of the asset. The amendments are effective for periods beginning on or after January 1, 2012.

As at December 31, 2012, the Organization has holds its property and equipment and investment properties under cost model as per PAS 16 and PAS 40. The amendment has no impact on the financial statements of the Organization.

Summary of Significant Accounting Policies

Foreign Currency Transactions
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 current operations in the year in which the rates change.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

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 marketplace are recognized on the settlement date. Receivables are recognized when cash is received by the Organization 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 Organization 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, 2012 and 2011, the Organization had no financial assets and liabilities at FVPL and HTM investments.

Determination of fair value
The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

When current bid and ask prices are not available, the price of the most recent transaction is used since it provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

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

'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 Organization recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the statement of comprehensive income under 'Other revenue' 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 comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Organization determines the appropriate method of recognizing the 'Day 1' difference amount.

Receivables
This accounting policy relates to the statement of financial position captions ‘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 Organization has no intention of trading.

After initial measurement, receivables and short term investments 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 comprehensive income. The losses arising from impairment are recognized in ‘Provision for credit losses’ under ‘Project related expenses’ in the statement of comprehensive income.

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 comprehensive income. The unrealized gains and losses arising from the fair valuation of AFS investments are excluded from reported revenue and are reported in other comprehensive income.

AFS investments include unquoted equity investments where the Organization’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 equity is recognized as ‘Other revenue’ in the statement of comprehensive income. Dividends earned on holding AFS equity investments, if any, are recognized in the statement of comprehensive income as ‘Other revenue’ when the right of the payment has been established. The losses arising from impairment of such investments are recognized as ‘Provision for impairment losses’ under ‘Other expenses’ in the statement of comprehensive income.

Other financial liabilities at amortized cost
Issued financial instruments or their components, which are not designated at FVPL, are classified as liabilities under ‘Accounts payable and accrued expenses’, ‘Borrowings’ and ‘Due to members’ or other appropriate financial liability accounts, where the substance of the contractual arrangement results in the Organization having an obligation either to deliver cash or another financial asset to the holder, 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, accounts payable and accrued expenses, borrowings and due to members and similar 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 Organization; 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 Organization 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 Organization 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 Organization 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 Organization 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 Organization'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 Organization 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 comprehensive income.

Offsetting Financial Instruments

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Organization 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 financial position.

Impairment of Financial Assets

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

Receivables

For receivables carried at amortized cost, the Organization 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 Organization 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 comprehensive income. 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 losses' under 'Project related expenses' in the statement of comprehensive income.

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 Organization 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 comprehensive income.

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 comprehensive income.

AFS investments
For AFS investments, the Organization 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 profit or loss is removed from equity and recognized in the profit or loss. Impairment losses on AFS investments are not reversed through the statement of comprehensive income. 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 revenue’ in the statement of comprehensive income. 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 comprehensive income, the impairment loss is reversed through statement of comprehensive income.

Investment in Associates

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

Under the equity method, investment in associates is carried in the statement of financial position at cost plus post-acquisition changes in the Organization's share in the net assets of the associate. The Organization's share in an associate's post-acquisition earnings is recognized in statement of comprehensive income, and its share of post-acquisition movements in the associate's other comprehensive income is recognized directly in other comprehensive income. Distributions received from an associate reduce the carrying amount of the investment. When the Organization's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Organization does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Profits and losses resulting from transactions between the Organization 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 Organization. The associates' accounting policies conform to those used by the Organization for like transactions and events in similar circumstances.

Property and Equipment

Property and equipment which includes building and improvements, furniture and equipment 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 comprehensive income.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives 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 15 years
Furniture and equipment	3 years
Transportation equipment	3 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 comprehensive income.

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 Organization.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of comprehensive income 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 10 to 15 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 Organization as an owner-occupied property becomes an investment property, the Organization accounts for such property in accordance with the policy stated under ‘Property and Equipment’ up to the date of change in use.

Impairment of Nonfinancial Assets

Property and equipment and investment properties

At each reporting date, the Organization assesses whether there is any indication that its nonfinancial assets, which include property and equipment and investment properties may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Organization makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is charged against 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 comprehensive income. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Investments in associates

After application of the equity method, the Organization determines whether it is necessary to recognize an additional impairment loss of the Organization's investment in associates. The Organization determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Organization calculates the amount of impairment as being the difference between the recoverable value of the associate and the acquisition cost and recognizes the amount in the statement of comprehensive income.

Equity

Equity includes fund balance which consists of the amounts contributed by the members of the Organization and all current and prior period results of operations.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Organization and the revenue can be reliably measured. The Organization assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Organization 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 Organization will comply with the conditions attaching to it, and that the grant will be received. Grants received for a specific purpose or with condition are initially recognized as a liability shown as funds held-in-trust under ‘Accounts payable and accrued expenses’ in the statement of financial position, otherwise recorded as ‘Grants’ in the statement of comprehensive income.

Interest income
Interest income on deposits in banks, short-term investments, due from affiliates, other receivables and restricted funds 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 Organization’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 Organization. Costs and expenses are recognized when incurred.

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

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

The asset recognized in the statement of financial position, in respect of defined benefit pension plans, is the fair value of the plan assets less the present value of defined benefit obligation at the reporting date, together with adjustments for unrecognized actuarial gains or losses and past service costs and unrecognized plan assets determined under the asset ceiling test. The asset ceiling test requires a defined benefit asset to be measured at the lower of the amount of the transition asset and the total of any cumulative unrecognized net actuarial losses and past service cost and 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 defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged against or credited to revenue when the net cumulative unrecognized actuarial gains and losses at the end of the previous period exceeded 10.0% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Past service cost is the present value of any units of future benefits credited to employees for services in periods prior to the commencement or subsequent amendment of the plan. This is recognized immediately in the statement of comprehensive income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, past service costs are amortized on a straight-line basis over the vesting period.

Leases

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

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

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

Operating Leases

Organization as lessee

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense under 'Project related expense' in the statement of comprehensive income on a straight-line basis over the lease term.

Organization as lessor

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

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 Organization'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
The Organization will adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Organization does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

Effective in 2013

PFRS 7, *Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (Amendments)
These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial Instruments: Presentation*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

a) The gross amounts of those recognized financial assets and recognized financial liabilities;
b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
c) The net amounts presented in the statement of financial position;
d) he amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
    i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
    ii. Amounts related to financial collateral (including cash collateral); and
e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied and are effective for annual periods beginning on or after January 1, 2013. The amendments affect disclosures only and have no impact on the Organization's financial position or performance.

PFRS 10, *Consolidated Financial Statements*
PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The standard becomes effective for annual periods beginning on or after January 1, 2013.

PFRS 11, *Joint Arrangements*
PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The standard becomes effective for annual periods beginning on or after January 1, 2013.

PFRS 12, *Disclosure of Interests in Other Entities*
PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The standard becomes effective for annual periods beginning on or after January 1, 2013.

The adoption of PFRS 12 will affect disclosures only and have no impact on the Organization’s financial position or performance.

PFRS 13, *Fair Value Measurement*
PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The standard becomes effective for annual periods beginning on or after January 1, 2013.

The Organization does not anticipate that the adoption of this standard will have a significant impact on its financial position and performance.

PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments)
The amendments to PAS 1 change the grouping of items presented in OCI. Items that can be reclassified (or “recycled”) to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group’s financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012. The amendments will be applied retrospectively and will result to the modification of the presentation of items of OCI.

PAS 19, *Employee Benefits* (Revised)
Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The amendments become effective for annual periods beginning on or after January 1, 2013. Once effective, the Organization has to apply the amendments retroactively to the earliest period presented.

The Organization reviewed its existing employee benefits and determined that the amended standard has significant impact on its accounting for retirement benefits. The Organization obtained the services of an external actuary to compute the impact to the financial statements upon adoption of the standard. The effects are detailed below (in thousands):

	As at 31 December 2012	As at 1 January 2012
Increase (decrease) in:		
Statement of Financial Position		
Net defined benefit liability	₱387,963	₱–
Deferred tax asset	116,389	–
Other comprehensive income	322,768	283,367
Retained earnings	(317,244)	(265,979)
	2012	
Statement of Comprehensive Income		
Net benefit cost	(₱5,524)	
Income tax expense	1,657	
Profit for the year	3,867	

PAS 27, *Separate Financial Statements* (as revised in 2011)
As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 will not have a significant impact on the separate financial statements of the entities in the Organization. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

Philippine Interpretation IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine
This interpretation applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. The Organization expects that this interpretation will not have any impact on its financial position or performance. This interpretation becomes effective for annual periods beginning on or after January 1, 2013.

Effective in 2014

PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective in 2015

PFRS 9, *Financial Instruments*
PFRS 9, as issued, 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. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. 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 (OCI) 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 Organization's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 is effective for annual periods beginning on or after January 1, 2015.

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 Financial Reporting Standards Council (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.

***Annual Improvements to PFRSs* (2009-2011 cycle)**

The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

PFRS 1, *First-time Adoption of PFRS – Borrowing Costs*
The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Organization as it is not a first-time adopter of PFRS.

PAS 1, *Presentation of Financial Statements* - *Clarification of the requirements for comparative information*
The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and have no impact on the Organization's financial position or performance.

PAS 16, *Property, Plant and Equipment* - *Classification of servicing equipment*
The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment will not have any significant impact on the Organization's financial position or performance.

PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The Organization expects that this amendment will not have any impact on its financial position or performance.

PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*
The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Organization's financial position or performance.

3. Significant Accounting Judgments and Estimates

The preparation of the Organization'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.

Judgments

(a) Operating leases

Organization as lessor
The Organization leases out its investment properties under operating lease mainly to its affiliates. All the significant risks and rewards of ownership from these properties are retained by the Organization.

Organization as lessee
The Organization 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 Organization 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.

(b) *Fair value of financial instruments*
Where the fair values of financial assets and financial liabilities recorded on the statement of financial position 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.

In accordance with the amendments to PFRS 7, disclosures about the level in the fair value hierarchy are required in which the fair value measurements are categorized for assets and liabilities measured in the statement of financial position. The Organization used judgment in assessing the significance of a particular input to the fair value measurements in its entirety, considering factors specific to the asset or liability.

(c) *Financial assets not quoted in an active market*
The Organization 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.

(d) *Determination of functional currency*
PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires the Organization to use its judgment to determine its functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the Organization. In making this judgment, the Organization considers the following:
- the currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled);
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

The Organization has determined that its functional currency is Philippine peso, which is the same as its presentation currency.

(e) *Contingencies*
The amount of probable costs for the resolution of any possible claims against the Organization is to be determined in consultation with outside legal counsel which will handle the Organization's defense in any legal contingencies and will be based upon an analysis of potential results.

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

Estimates

(a) *Credit losses on receivables*

The Organization reviews its receivables to assess impairment annually. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Organization makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of 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 (Note 16).

As at December 31, 2012 and 2011, allowance for credit losses on receivables of the Organization amounted to ₱159.0 million and ₱135.6 million, respectively (Note 16).

As at December 31, 2012 and 2011, the carrying value of receivables from members amounted to ₱3.3 billion (Note 8). As at December 31, 2012 and 2011, the carrying value of due from affiliates amounted to ₱41.6 million and ₱39.2 million, respectively (Note 9). As at December 31, 2012 and 2011, the carrying value of other receivables amounted to ₱87.5 million and ₱131.0 million, respectively (Note 10).

(b) *Impairment of AFS equity investments*

The Organization 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 Organization 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.

No impairment loss was recognized on AFS equity investments in 2012 and 2011.

As at December 31, 2012 and 2011, the carrying value of AFS equity investments amounted to ₱15.7 million and ₱9.1 million, respectively.

(c) *Valuation of unquoted equity investments*

The Organization's 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. The Organization has no intention of disposing its unquoted equity investments held.

As at December 31, 2012 and 2011, unquoted equity investments amounted to ₱15.7 million and ₱9.1 million, respectively.

(d) *Present value of retirement obligation*

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

The expected rate of return on plan assets was based on the market prices prevailing on that date applicable to the period over which obligation is to be settled. The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as at the reporting date.

As at December 31, 2012 and 2011, the present value of the defined benefit obligation amounted to ₱574.6 million and ₱408.3 million, respectively (Note 21).

(e) *Impairment of property and equipment and investment properties*
The Organization 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 Organization 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 Organization 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 property and equipment and investment properties as at December 31, 2012 amounted to ₱135.9 million and ₱35.0 million, respectively. As at December 31, 2011, the carrying value of property and equipment and investment properties amounted to ₱126.4 million and ₱35.5 million, respectively. As at December 31, 2012 and 2011, no allowance for impairment losses was provided on the Organization's property and equipment. As at December 31, 2012 and 2011, allowance for impairment losses on investment properties amounted to nil and ₱4.7 million, respectively (Note 14).

(e) Estimated useful lives of property and equipment and investment properties
The Organization 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 Financial Assets and Liabilities

The methods and assumptions used by the Organization in estimating the fair value of the financial instruments are:

The fair values approximate the carrying values for financial assets and financial liabilities that are liquid or have short-term maturities. These include cash and cash equivalents, short-term investments, current portion of receivables, other assets, current portion of borrowings and other liabilities.

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 Organization 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 Organization's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued.

As at December 31, 2012 and 2011, except for the following financial instruments, the carrying value of the Organization's financial assets and liabilities as reflected in the statements of financial position and related notes approximate their respective fair values (amounts in thousands):

	2012		2011	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Receivables	**₱3,420,565**	**₱3,422,098**	₱3,447,261	₱3,448,197
Financial Liabilities				
Borrowings	**1,200,676**	**1,263,099**	1,541,866	1,574,684

For financial instruments recorded at fair value, the Organization uses the following three-level fair value hierarchy based on the source of inputs on their valuation:

Level 1: those financial instruments which are quoted in active markets for identical assets or liabilities;
Level 2: those financial instruments involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
Level 3: those financial instruments with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2012 and 2011, the Organization has no financial instruments measured at fair value. There have been no changes in determining the fair value of financial instruments in 2012 and 2011. There were no transfers of financial instruments between Levels 1, 2 and 3 in 2012 and 2011.

5. Financial Risk Management Objectives and Policies

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

- Credit risk
- Liquidity risk
- Market risk

In line with the Organization'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*", risk management framework of the Organization 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 Organization is responsible for monitoring the Organization'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 Organization. The AC regularly reports to BOT the results of reviews of actual implementation of risk management policies. Risk Management of the MRI Group 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.

Credit Risk

Credit risk is the risk of financial loss to the Organization if the counterparty to a financial instrument fails to meet its contractual obligations. The Organization 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.

Maximum exposure to credit
The maximum credit exposure of the Organization's financial instruments is equal to their carrying value except for receivable from members with collaterals financial effect amounted to ₱516.8 million and ₱511.2 million as at December 31, 2012 and 2011, respectively (Note 8).

The Organization assessed that it has no credit risk exposures relating to off-balance sheet items. Credit enhancement for receivable from members pertains to contribution of members for capital build-up purposes (Note 19).

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 Organization's financial instruments are concentrated to rural borrowers.

Credit quality per class of financial assets
Cash in banks, short-term investments and other noncurrent assets, are with reputable financial institutions and related party banks and are deemed to be neither past due nor impaired.

The credit quality of receivables that are neither past due nor impaired is assessed based on the portfolio's loan repayment rates. AFS investments rated as high grade refer to those accounts that are not impaired.

The tables below show the credit quality per class of receivables (gross of allowance for credit losses) as at December 31, 2012 and 2011 (in thousands):

	2012			
	Neither past due nor impaired	**Past due but not impaired**	**Past due and impaired**	**Total**
Receivables:				
Receivables from members	**₱3,365,565**	**₱6,343**	**₱73,204**	**₱3,445,112**
Due from affiliates	**41,596**	**–**	**–**	**41,596**
Other receivables	**87,487**	**–**	**5,409**	**92,896**
	₱3,494,648	**₱6,343**	**₱78,613**	**₱3,579,604**

	2011			
	Neither past due nor impaired	Past due but not impaired	Past due and impaired	Total
Receivables:				
Receivables from members	3,315,907	₱44,039	47,755	3,407,701
Due from affiliates	39,227	–	–	39,227
Other receivables	130,964	–	4,938	135,902
	₱3,486,098	₱44,039	₱52,693	₱3,582,830

As at December 31, 2012 and 2011, the Organization's receivables that are past due for more than 90 days are considered impaired.

The following table shows the total aggregate amount of receivable from members that are contractually past due but not considered as impaired per delinquency bucket as at December 31, 2012 and 2011 (in thousands).

	2012			
	Less than 30 Days	**31 to 60 Days**	**61 to 90 Days**	**Total**
Project assistance receivables	**₱963**	**₱2,206**	**₱2,713**	**₱5,882**
Members assistance receivables	**89**	**153**	**219**	**461**
	₱1,052	**₱2,359**	**₱2,932**	**₱6,343**

	2011			
	Less than 30 Days	31 to 60 Days	61 to 90 Days	Total
Project assistance receivables	₱7,485	₱18,956	₱13,489	₱39,930
Members assistance receivables	879	1,795	1,435	4,109
	₱8,364	₱20,751	₱14,924	₱44,039

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 Organization 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 Organization sets aside funds to pay currently maturing obligations. These funds are placed in short-term investments. Monitoring of daily cash position is being done to guide the management in making sure that sufficient liquidity is maintained. The Asset and Liability Management Committee was also established to regularly review liquidity position of the Organization monthly.

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

	2012					
	On demand	**Due within 1 month**	**1 to 3 months**	**3 to 12 months**	**Beyond 1 year**	**Total**
Financial Assets						
Cash and cash equivalents	**₱131,436**	**₱105,960**	**₱86,979**	**₱–**	**₱–**	**₱324,375**
Short term investments	**–**	**–**	**–**	**85,042**	**–**	**85,042**
Receivables - gross	**802**	**278,460**	**1,049,798**	**2,565,147**	**40,367**	**3,934,574**
AFS investments	**–**	**–**	**–**	**–**	**15,699**	**15,699**
Other assets	**–**	**–**	**–**	**–**	**19,936**	**19,936**
Total Financial Assets	**132,238**	**384,420**	**1,136,777**	**2,650,189**	**76,002**	**4,379,626**
Financial Liabilities						
Accounts payable and accrued expenses	**–**	**78,445**	**8,748**	**99,847**	**–**	**187,040**
Borrowings	**–**	**5,722**	**97,775**	**573,207**	**705,622**	**1,382,326**
Due to members	**–**	**97,648**	**537,809**	**870,934**	**–**	**1,506,391**
Total Financial Liabilities	**–**	**181,815**	**644,332**	**1,543,989**	**705,622**	**3,075,757**
Net Undiscounted Cash Flows	**₱132,238**	**₱202,605**	**₱492,445**	**₱1,106,200**	**(₱629,620)**	**₱1,303,869**

	2011					
	On demand	Due within 1 month	1 to 3 months	3 to 12 months	Beyond 1 year	Total
Financial Assets						
Cash and cash equivalents	₱187,146	₱289,989	₱85,426	₱11,011	₱–	₱573,572
Receivables - gross	96,732	318,448	1,096,330	2,385,100	42,308	3,938,918
AFS investments	–	–	–	–	9,098	9,098
Other assets	–	–	–	–	25,584	25,584
Total Financial Assets	283,878	608,437	1,181,756	2,396,111	76,990	4,547,172
Financial Liabilities						
Accounts payable and accrued expenses	–	23,719	63,960	111,179	–	198,858
Borrowings	–	594	128,826	206,043	1,463,719	1,799,182
Due to members	–	89,807	427,294	910,419	73,887	1,501,407
Future interest	–	594	22,509	82,238	142,583	247,924
Total Financial Liabilities	–	114,120	620,080	1,227,641	1,537,606	3,499,447
Net Undiscounted Cash Flows	₱283,878	₱494,317	₱561,676	₱1,168,470	(₱1,460,616)	₱1,047,725

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 Organization's total receivable from members is set at fixed nominal rates of 18% to 28% in 2012 and 2011 per annum. The shortest term of loan is three months while the longest term is one year.

The Organization generally pays fixed interest to the members at 2.0% per annum in 2012 and 2.5% in 2011.

The Organization generally pays fixed interest to the creditors at 2.0% to 10.5% 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 Organization places its excess funds in high yield investments and other short-term time deposits.

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

	Increase (Decrease) in Interest Rates by	**Effect on Excess of Revenues over Expenses**
December 31, 2012	**+1.0%**	**(₱209,461)**
	(1.0)	**209,461**
December 31, 2011	+1.0%	(₱291,127)
	(1.0)	291,127

In 2012 and 2011, the Organization 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 Organization's principal transactions are carried out in Philippine Peso and its exposure to foreign currency risk arises primarily with respect to the Organization'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 Organization as at December 31, 2012 and 2011:

	2012		2011	
	In $	**In €**	In $	In €
Other receivable	**–**	**–**	235,050	–
Cash in Banks	**367,419**	**585**	75,137	112,318
Total	**367,419**	**585**	310,187	112,318

In translating the foreign currency-denominated accounts to Philippine peso amounts, the exchange rate used was ₱41.05 to $1.0 and ₱43.84 to $1.0 in 2012 and 2011, respectively, and ₱54.53 to €1.0 and ₱58.0 to €1.0 in 2012 and 2011, 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 Organization's excess of revenue over expenses. There is no impact on the Organization'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
2012		
USD	**+5.0**	**₱754,128**
	–5.0	**(754,128)**
Euro	**+5.0**	**1,596**
	–5.0	**(1,596)**
2011		
USD	+5.0	679,930
	–5.0	(679,930)
Euro	+5.0	319,208
	–5.0	(319,208)

6. Cash and Cash Equivalents

This account consists of:

	2012	2011
Cash in banks (Note 27)	**₱322,621,584**	₱573,482,645
Cash on hand	**1,753,650**	88,913
Check and other cash item	**73,250**	–
	₱324,375,234	₱573,571,558

Deposits in banks earn annual interest ranging from 0.3% to 2.0% in 2012 and 0.3% to 4.9% in 2011.

7. Short-term Investments

Short-term investments represent time deposits with maturities of more than three months but less than one year from reporting dates. Short-term investments earn annual interest rates ranging from 3.3% to 4.0% in 2012. As at December 31, 2012 and 2011, the Organization has short-term investments amounted to ₱84.5 million and nil, respectively.

8. Receivables from Members

This account consists of:

	2012	2011
Project assistance receivable	**₱3,203,527,983**	₱3,180,300,694
Member assistance receivable	**241,583,782**	227,400,425
	3,445,111,765	3,407,701,119
Less allowance for credit losses (Note 16)	**153,630,065**	130,630,816
	₱3,291,481,700	₱3,277,070,303

Project assistance receivable and member assistance receivable earn annual effective administrative fee of 32.8% to 58.8% in 2012 and 2011.

As at December 31, 2012 and 2011, project assistance receivables with carrying value of ₱1.1 billion were used as collateral for interest - bearing borrowings (Note 18). Project assistance receivables granted to members are partially secured by ‘Due to members’ amounting to ₱516.8 million and ₱511.2 million as at December 31, 2012 and 2011, respectively (Note 19).

Receivables from members include past due receivables amounting to ₱79.5 million and ₱91.8 million as at December 31, 2012 and 2011, respectively.

9. Due from Affiliates

This account consists of:

	2012	2011
CARD Business Development Service Foundation (BDSF), Inc.	**₱35,368,210**	₱36,632,977
CARD Mutual Benefit Association (MBA), Inc.	**5,547,207**	1,991,155
CARD Bank, Inc.	**381,056**	160,919
CARD Employee Multi-Purpose Cooperative (EMPC), Inc.	**157,205**	221,039
CARD SME Bank, Inc.	**64,976**	4,683
CARD MRI Development Institute (CMDI), Inc.	**40,147**	96,485
BotiCARD Inc.	**36,890**	4,433
CARD MRI Information Technology (CMIT), Inc.	**327**	114,857
CARD MRI Insurance Agency (CAMIA), Inc.	**99**	846
Total	**₱41,596,117**	₱39,227,394

BDSF, CMIT, EMPC, MBA, CARD SME Bank, CARD Bank, BotiCARD, CMDI and CAMIA are all members of CARD MRI group. These entities are considered related parties (associates and affiliates) as they are operationally linked in influencing economic decisions.

Due from BDSF represents an unsecured loan amounting to ₱10.0 million and ₱26.6 million granted in 2011 and 2008 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, 2012 and 2011, receivable from BDSF amounted to ₱35.4 million and ₱36.6 million, respectively.

Due from EMPC, MBA, CARD Bank, CMDI, CARD SME Bank, BotiCARD and CAMIA mainly consist of the affiliates' share in expenses paid for by the Organization. Due from CMIT represents noninterest-bearing intercompany advances.

10. Other Receivables

This account consists of:

	2012	2011
Accrued administrative fee receivable	**₱71,571,574**	₱81,642,610
Receivable from:		
Other microfinance institutions	**11,431,529**	9,649,196
Officers and employees	**7,874,363**	6,820,219
Escrow	**–**	31,669,414
Others	**1,658,554**	3,328,004
Accrued interest receivable	**360,656**	2,791,999
	92,896,676	135,901,442
Less allowance for credit losses (Note 16)	**5,409,409**	4,937,653
	₱87,487,267	₱130,963,789

Receivable from escrow pertains to advances to Bank Sahabat Purba Danarta (BSPD), an Indonesian bank. The fund is for future stock subscription in BSPD which is still on-hold due to certain restrictions in Indonesia. As at December 31, 2012 the investment has not been pursued and transferred accordingly the amount to the Organization unrestricted fund.

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 terms of these receivables range from one to two years.

11. Available-for-Sale Investments

This account includes unquoted equity investments which include investment in preferred stocks of CARD Bank amounting to ₱2.5 million as at December 31, 2012 and 2011 (Note 27).

In 2011, the Organization's investment in Responsible Investment for Solidarity and Empowerment (RISE) Financing Company, Inc. amounting to ₱13.4 million was reclassified from 'AFS investments' to 'Investment in associates' since the Organization has demonstrated significant influence over RISE (Notes 12 and 27).

As at December 31, 2012 and 2011, unrealized losses on AFS investments reported under equity amounted to ₱0.2 million.

12. Investment in Associates

This account includes investment in common stocks of:

	2012	2011
Acquisition cost:		
CARD SME Bank - 39.6% owned in 2012 and 2011	**₱109,894,601**	₱69,001,601
CARD Bank - 29.5% owned in 2012 and 2011	**76,355,900**	60,730,900
RISE - 32.7% owned in 2012 and 2011	**13,411,721**	13,411,721
CMIT - 30.0% owned in 2012 and 2011	**9,500,000**	1,500,000
CAMIA - 39.5% owned in 2012 and 38.6% owned in 2011	**1,285,000**	610,000
BotiCARD - 15.0% owned in 2012 and 2011	**1,500,000**	500,000
	211,947,222	145,754,222
Accumulated equity in net earnings:		
Balance at beginning of year	**122,155,645**	70,446,630
Equity in net earnings (Note 24)	**74,256,037**	57,283,088
Dividends received (Note 27)	**(37,353,809)**	(5,574,073)
Balance at end of year	**159,057,873**	122,155,645
Share in other comprehensive income of associates	**309,477**	309,477
Allowance for impairment losses (Note 24)	**–**	(10,306,516)
	₱371,314,572	₱257,912,828

On December 16, 2011, the BOT approved and confirmed the waiver of Organization's pre-emptive right to subscribe for proportionate shares equivalent to 849,225 common stock of CARD Bank in favor of new qualified subscribers and investors. As a result of the waiver, the Organization's ownership interest over CARD Bank decreased to 29.5% in 2011 from 40.0% in 2010.

Despite the Organization's ownership of less than 20.0%, BotiCARD was considered as an associate since the Organization demonstrated influence in the economic decisions.

The following table summarizes the financial information (in thousands) of the Organization's investment in associates:

	2012			
	Total Assets	**Total Liabilities**	**Total Revenues**	**Net Income**
CARD Bank	**₱4,119,542**	**₱3,244,487**	**₱1,386,342**	**₱245,870**
CARD SME Bank	**771,686**	**550,754**	**227,911**	**24,940**
CMIT	**80,776**	**21,551**	**80,363**	**3,211**
RISE	**58,685**	**10,136**	**3,716**	**148**
CAMIA	**36,147**	**26,287**	**16,793**	**4,386**
BotiCARD	**21,404**	**11,017**	**28,543**	**1,764**

	2011			
	Total Assets	Total Liabilities	Total Revenues	Net Income
CARD Bank	₱3,445,768	₱2,831,684	₱1,195,499	₱165,263
CARD SME Bank	555,304	412,928	158,842	8,696
CMIT	134,159	87,609	87,481	10,976
RISE	50,683	1,745	3,795	129
CAMIA	24,378	18,814	14,763	3,485
BotiCARD	7,987	2,326	9,762	123

13. Property and Equipment

The composition of and movements in this account follow:

	2012					
	Land	**Building and Improvements**	**Transportation Equipment**	**Furniture and Equipment**	**Construction in Progress**	**Total**
Cost						
Balance at beginning of year	**₱42,774,944**	**₱65,734,571**	**₱58,349,254**	**₱80,165,953**	**₱–**	**₱247,024,722**
Additions	**6,909,729**	**1,423,008**	**35,462,535**	**7,361,790**	**730,000**	**51,887,062**
Disposals	**–**	**(2,050,517)**	**(8,027,314)**	**(5,853,904)**	**–**	**(15,931,735)**
Balance at end of year	**49,684,673**	**65,107,062**	**85,784,475**	**81,673,839**	**730,000**	**282,980,049**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**–**	**25,253,004**	**45,439,847**	**49,908,625**	**–**	**120,601,476**
Depreciation and amortization	**–**	**5,305,682**	**16,095,624**	**17,567,074**	**–**	**38,968,380**
Disposals	**–**	**(2,050,518)**	**(7,899,383)**	**(2,559,539)**	**–**	**(12,509,440)**
Balance at end of year	**–**	**28,508,168**	**53,636,088**	**64,916,160**	**–**	**147,060,416**
Net Book Value	**₱49,684,673**	**₱36,598,894**	**₱32,148,387**	**₱16,757,679**	**₱730,000**	**₱135,919,633**

	2011					
	Land	Building and Improvements	Transportation Equipment	Furniture and Equipment	Construction in Progress	Total
Cost						
Balance at beginning of year	₱40,295,401	₱49,497,846	₱61,541,763	₱62,931,009	₱12,004,660	₱226,270,679
Additions	2,551,787	1,041,447	527,655	19,505,898	8,054,340	31,681,127
Reclassifications	–	20,059,000	–	–	(20,059,000)	–
Disposals	(72,244)	(4,863,722)	(3,720,164)	(2,270,954)	–	(10,927,084)
Balance at end of year	42,774,944	65,734,571	58,349,254	80,165,953	–	247,024,722
Accumulated Depreciation and Amortization						
Balance at beginning of year	–	21,110,922	35,371,141	33,406,448	–	89,888,511
Depreciation and amortization	–	5,505,804	13,704,439	18,755,940	–	37,966,183
Disposals	–	(1,363,722)	(3,635,733)	(2,253,763)	–	(7,253,218)
Balance at end of year	–	25,253,004	45,439,847	49,908,625	–	120,601,476
Net Book Value	₱42,774,944	₱40,481,567	₱12,909,407	₱30,257,328	₱–	₱126,423,246

Land with carrying value of ₱9.5 million partially secures interest-bearing borrowings amounting to ₱154.0 million and ₱244.8 million as at December 31, 2012 and 2011, respectively (Note 18).

The Organization granted CMDI the usufruct over certain properties consisting of land and improvements for use as CMDI's office and training center (Note 27).

The details of depreciation and amortization included under project related expenses, research and other expenses in the statement of comprehensive income follow (Notes 22 and 24):

	2012	2011
Property and equipment	**₱38,968,380**	₱37,966,183
Investment properties (Note 14)	**5,238,677**	3,705,725
	₱44,207,057	₱41,671,908

Depreciation and amortization on property and equipment and investment properties, totaling ₱44.2 million in 2012 and ₱41.7 million in 2011, are included in the following expenses:

	2012	2011
Project related expenses (Note 22)	**₱32,938,884**	₱33,409,219
Research	**89,131**	562,904
Other expenses (Note 24)	**11,179,042**	7,699,785
	₱44,207,057	₱41,671,908

Disposal of property and equipment resulted to ₱0.4 million gain in 2012 and ₱0.5 million gain in 2011 (Note 27).

As at December 31, 2012 and 2011, the cost of fully-depreciated assets still in use in the Organization's operations amounted to ₱31.8 million and ₱36.9 million, respectively.

14. Investment Properties

The composition of and movements in this account follow:

	2012			2011		
	Land	**Building and Improvements**	**Total**	Land	Building and Improvements	Total
Cost						
Balance at beginning of year	**₱16,727,507**	**₱47,227,090**	**₱63,954,597**	₱16,727,507	₱47,227,090	₱63,954,597
Additions	**–**	**74,620**	**74,620**	–	–	–
Balance at end of year	**16,727,507**	**47,301,710**	**64,029,217**	16,727,507	47,227,090	63,954,597
Accumulated Depreciation and Amortization						
Balance at beginning of year	**–**	**23,750,890**	**23,750,890**	–	20,045,165	20,045,165
Depreciation	**–**	**5,238,677**	**5,238,677**	–	3,705,725	3,705,725
Balance at end of year	**–**	**28,989,567**	**28,989,567**	–	23,750,890	23,750,890
Allowance for impairment losses	**–**	**–**	**–**	(4,722,589)	–	(4,722,589)
Net Book Value	**₱16,727,507**	**₱18,312,143**	**₱35,039,650**	₱12,004,918	₱23,476,200	₱35,481,118

The Organization leased properties to CARD Bank branches. Rent income from investment properties included in ‘Other revenue’ in the statement of comprehensive income amounted to ₱5.2 million and ₱5.3 million in 2012 and 2011, respectively (Note 24). Direct operating expenses on investment properties that generated rental income in 2012 and 2011 included under ‘Depreciation and amortization’ and ‘Taxes and licenses’, amounted to ₱5.5 million and ₱4.4 million, respectively (see Note 22).

The fair values of investment properties amounted to ₱24.5 million and ₱12.0 million for land in 2012 and 2011, respectively and ₱28.4 million and ₱37.7 million for buildings in 2012 and 2011, respectively.

Changes in the allowance for impairment losses are as follows:

	2012	2011
Balance at beginning of year	**₱4,722,589**	₱4,722,589
Reversal for impairment losses (Note 24)	**(4,722,589)**	–
Balance at end of year	**₱–**	₱4,722,589

15. Other Assets

This account consists of:

	2012	2011
Prepaid expenses	**₱15,946,356**	₱15,459,879
Prepaid subscription (Note 27)	**12,735,000**	8,000,000
Other investment	**10,750,000**	–
Supplies on hand	**85,000**	15,660
Net retirement asset (Note 21)	**–**	1,536,447
Restricted funds	**–**	8,108,580
Others	**19,936,066**	17,475,229
	59,452,422	50,595,795
Less allowance for impairment losses	**2,332,221**	2,074,903
	₱57,120,201	₱48,520,892

Prepaid expenses include creditable withholding tax amounting to ₱2.3 million and ₱2.1 million and provided with 100.0% allowance for impairment losses in 2012 and 2011, respectively.

Other investment represents fund held in escrow for the acquisition of 40% shareholdings in Rizal Rural Bank (Taytay), Inc. (RRBI). On October 11, 2012, the Organization entered into agreement with the shareholders of RRBI to purchase 40% of their shareholdings subject to BSP's approval. On January 25, 2013, BSP approved the transaction.

The management determined that it obtains control from the acquisition of RRBI by considering additional indirect ownership through CARD Bank, Inc. (an associate). Further, the management determined that the date of acquisition is the date of BSP approval.

Restricted funds represent cash deposits held by banks as collateral for borrowings from Development Bank of the Philippines (DBP) (see Note 18). Restricted funds as at December 31, 2012 and 2011 include placement in CARD Bank amounting to nil and ₱2.9 million, respectively, which is restricted as to use for a period of three years; and a hold-out deposit in CARD SME Bank amounting to nil and ₱5.2 million as at December 31, 2012 and 2011, respectively. Such deposit is intended to secure the interest of CARD SME Bank concerning its deposits with CARD Bank to which the Organization is a stockholder (Note 27). These funds earn annual interest ranging from 2.9% to 6.0% in 2012 and 2011.

Others include grant fund from German Savings Foundation in 1997 amounting to ₱15.5 million and ₱15.3 million as at December 31, 2012 and 2011, respectively, intended as revolving fund of CARD Bank, Inc. earning 2.0% annual interest rate in 2012 and 2011.

Changes in the allowance for impairment losses are as follows:

	2012	2011
Balance at beginning of year	**₱2,074,903**	₱1,815,137
Provision for impairment losses (Note 24)	**257,318**	259,766
Balance at end of year	**₱2,332,221**	₱2,074,903

16. Allowance for Credit Losses

The movements in the allowance for credit losses follow:

	2012				
	Receivables from Members (Note 8)				
	Project Assistance Receivable	**Member Assistance Receivable**	**Total**	**Other Receivables** (Note 10)	**Total**
Balance at beginning of year	**₱122,890,607**	**₱7,740,209**	**₱130,630,816**	**₱4,937,653**	**₱135,568,469**
Provision for credit losses (Note 22)	**29,482,649**	**8,385,886**	**37,868,535**	**471,755**	**38,340,290**
Accounts written-off	**(14,173,225)**	**(696,061)**	**(14,869,286)**	**–**	**(14,869,286)**
Balance at end of year	**₱138,200,031**	**₱15,430,034**	**₱153,630,065**	**₱5,409,408**	**₱159,039,473**
Individual impairment	**₱85,487,018**	**₱6,357,913**	**₱91,844,931**	**₱–**	**₱–**
Collective impairment	**52,713,013**	**9,072,121**	**61,785,134**	**–**	**–**
	₱138,200,031	**₱15,430,034**	**₱153,630,065**	**₱–**	**₱–**
Gross amounts of loans individually determined to be impaired, before deducting any individually assessed impairment losses	**₱85,487,018**	**₱6,357,913**	**₱91,844,931**	**₱–**	**₱–**

	2011				
	Receivables from Members (Note 8)				
	Project Assistance Receivable	Member Assistance Receivable	Total	Other Receivables (Note 10)	Total
Balance at beginning of year	₱62,980,696	₱3,098,581	₱66,079,277	₱4,932,193	₱71,011,470
Provision for credit losses (Note 22)	81,108,683	5,690,822	86,799,505	744,190	87,543,695
Accounts written-off	(21,198,772)	(1,049,194)	(22,247,966)	(738,730)	(22,986,696)
Balance at end of year	₱122,890,607	₱7,740,209	₱130,630,816	₱4,937,653	₱135,568,469
Individual impairment	₱67,025,369	₱4,607,751	₱71,633,120	₱–	₱–
Collective impairment	55,865,238	3,132,458	58,997,696	–	–
	₱122,890,607	₱7,740,209	₱130,630,816	₱–	₱–
Gross amounts of loans individually determined to be impaired, before deducting any individually assessed impairment losses	₱67,025,369	₱4,607,751	₱71,633,120	₱–	₱–

17. Accounts Payable and Accrued Expenses

This account consists of:

	2012	2011
Accounts payable	**₱111,024,229**	₱103,524,377
Accrued expenses	**93,293,319**	112,994,417
Due to affiliates (Note 27)	**18,999,150**	5,132,160
Funds held-in-trust	**8,048,975**	9,882,302
Accrued interest	**4,789,508**	10,399,197
	₱236,155,181	₱241,932,453

Accounts payable include grant payable to certain community and scholarship projects of the Organization totaling ₱90.1 million and ₱77.7 million as at December 31, 2012 and 2011, respectively. It also includes unearned rent amounting to ₱0.3 million and ₱0.4 million as at December 31, 2012 and 2011, respectively (Note 27).

Accrued expenses include accruals for vacation leave amounting to ₱49.1 million and ₱43.1 million as at December 31, 2012 and 2011, respectively and accrued grants and donation amounting to nil and ₱14.0 million as at December 31, 2012 and 2011, respectively. It also includes accruals for client trainings and development amounting to ₱11.4 million and ₱16.9 million as at December 31, 2012 and 2011, respectively. Other accrued expenses pertain to accruals for 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.

18. Borrowings

This account consists of borrowings from financing institutions, which are subject to certain terms and conditions bearing annual interest rates ranging from 2.0% to 10.5% in 2012 and 2011, and are payable in various annual, semi-annual and quarterly installments until 2016. As at December 31, 2012 and 2011, borrowings is net of unamortized debt issue cost amounted to ₱6.8 million and ₱9.3 million, respectively. Financing obtained from creditors are used to fund the Organization's project assistance receivable.

Total borrowings are secured by project assistance receivable amounting to ₱1.0 billion and ₱1.2 billion as at December 31, 2012 and 2011, respectively (Note 8) and land with carrying value of 9.5 million (Note 13).

The Organization has available funds from its loan facilities amounting to ₱892.3 million and ₱1,152.3 billion as at December 31, 2012 and 2011, respectively.

19. 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 8). Due to members is built up through weekly members' contribution of ₱50.0 per week in 2012 and 2011.

20. 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).

	2012			2011		
	Within One Year	**Beyond One Year**	**Total**	Within One Year	Beyond One Year	Total
Financial Assets						
Cash and cash equivalents	**₱324,375**	**₱–**	**₱324,375**	₱573,572	₱–	₱573,572
Short-term investments	**84,500**	**–**	**84,500**	–	–	–
Receivables	**3,390,407**	**40,367**	**3,420,565**	3,414,695	32,566	3,447,261
AFS investments	**–**	**15,699**	**15,699**	–	9,098	9,098
Other assets	**–**	**19,936**	**19,936**	–	25,584	25,584
Nonfinancial Assets						
Investment in associates	**–**	**371,314**	**371,314**	–	257,913	257,913
Property and equipment	**–**	**135,920**	**135,920**	–	126,423	126,423
Investment properties	**–**	**35,040**	**35,040**	–	35,481	35,481
Other assets	**–**	**37,184**	**37,184**	–	22,937	22,937
Total Assets	**₱3,789,073**	**₱655,460**	**₱4,444,533**	₱3,988,267	₱510,002	₱4,498,269

	2012 Within One Year	2012 Beyond One Year	2012 Total	2011 Within One Year	2011 Beyond One Year	2011 Total
Financial Liabilities						
Accounts payable and accrued expenses	**₱187,040**	**₱–**	**₱187,040**	₱198,858	₱–	₱198,858
Borrowings	**588,726**	**611,950**	**1,200,676**	230,123	1,311,743	1,541,866
Due to members	**1,506,391**	**–**	**1,506,391**	1,427,521	73,887	1,501,408
Nonfinancial Liability						
Accounts payable and accrued expenses	**–**	**49,115**	**49,115**	–	43,074	43,074
Retirement liability	**–**	**98,064**	**98,064**	–	–	–
Total Liabilities	**₱2,282,157**	**₱759,129**	**₱3,041,286**	₱1,856,502	₱1,428,704	₱3,285,206

21. Retirement Plan

The Organization, 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 Organization and its related parties. The Plan complies with the requirement of Republic Act No. 7641 (Retirement Law). The Plan provided lump sum benefits equivalent to at least one half (1/2) month salary for every year of service, a fraction of at least six months being considered as one whole year upon retirement, death, total and permanent disability, involuntary separation (except cause) or voluntary separation after completion of at least ten years of service with the participating companies. However, starting 2011, the Plan provides lump sum benefits equivalent to 120% of final salary for every year of credited service, a fraction of at least six (6) months being considered as one whole year upon retirement, death, total and permanent disability, involuntary separation (except cause) or voluntary separation after completion of at least one year of service with the participating companies.

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

	2012	2011
Discount rate	**7.1%**	9.5%
Expected rate of return on assets	**5.0**	5.0
Future salary increases	**12.0**	12.0
Average remaining working lives (in years)	**23.0**	23.0

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

The amounts of retirement asset recognized in the statement of financial position under 'Other assets' are as follows:

	2012	2011
Fair value of plan assets	**₱159,259,179**	₱117,969,920
Present value of defined benefit obligation	**574,566,900**	408,342,400
Deficit	**(415,307,721)**	(290,372,480)
Net unrecognized actuarial loss	**308,968,736**	283,367,127
Unrecognized past service cost	**8,274,900**	8,541,800
Net retirement asset (liability)	**(₱98,064,085)**	₱1,536,447

The movements in the retirement asset (liability) are as follows:

	2012	2011
Balance at beginning of year	**₱1,536,447**	₱61,810,627
Retirement expense	**(129,425,285)**	(77,386,900)
Actual contributions	**29,824,753**	17,112,720
Balance at end of year	**(₱98,064,085)**	₱1,536,447

The movements in the fair value of plan assets recognized are as follows:

	2012	2011
Balance at beginning of year	**₱117,969,920**	₱107,893,200
Contribution paid by employer	**29,824,753**	17,112,720
Actuarial gain	**17,879,838**	739,500
Transfer to the retirement plan of other MRI entity	**(12,183,008)**	(12,710,400)
Expected return	**5,898,496**	5,394,700
Benefits paid	**(130,820)**	(459,800)
Balance end of year	**₱159,259,179**	₱117,969,920

The actual return on plan assets amounted to ₱23.8 million and ₱6.1 million in 2012 and 2011, respectively.

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

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

The overall expected rate of return on plan assets represents expected long-term rate on the retirement fund investments, net of operating expenses (e.g., trustee's fee, actuarial valuation fees, service charges etc.).

The Organization plans to contribute ₱132.7 million to its retirement fund in 2013.

The movements in the present value of defined benefit obligation are as follows:

	2012	2011
Balance at beginning of year	**₱408,342,400**	₱156,203,500
Current service cost	**95,329,710**	37,735,200
Actuarial loss	**54,026,355**	178,094,400
Interest cost	**29,182,263**	14,776,900
Transfer to the retirement plan of other MRI entity	**(12,183,008)**	(12,710,400)
Benefits paid	**(130,820)**	(459,800)
Past service cost	–	34,702,600
Balance at end of year	**₱574,566,900**	₱408,342,400

The movements in unrecognized actuarial loss are as follows:

	2012	2011
Balance at beginning of year	**₱283,367,127**	₱110,120,927
Actuarial loss for the year - obligation	**54,026,355**	178,094,400
Actuarial loss recognized	**(10,544,908)**	(4,108,700)
Actuarial gain for the year - plan assets	**(17,879,838)**	(739,500)
Balance at end of year	**₱308,968,736**	₱283,367,127

The amount of retirement expense included in 'Salaries, wages and employee benefits' under 'Project related expenses' and 'Other administrative expenses' account in the statement of comprehensive income are as follows:

	2012	2011
Current service cost	**₱95,329,710**	₱37,735,200
Interest cost	**29,182,263**	14,776,900
Amortization of actuarial loss	**10,544,908**	4,108,700
Expected return on plan assets	**(5,898,496)**	(5,394,700)
Amortization of non-vested past service cost	**266,900**	266,900
Amortization of vested past service cost	**–**	25,893,900
	₱129,425,285	₱77,386,900

Information on the Organization's retirement plan for the current and prior years follows (in thousands):

	2012	2011	2010	2009	2008
Fair value of plan assets	**₱159,259**	₱117,970	₱107,893	₱87,717	₱48,584
Present value of defined benefit obligation	**574,567**	408,342	(156,203)	(58,026)	(22,008)
Excess (deficit)	**(415,308)**	(290,372)	(48,310)	29,691	26,576
Experience adjustments on plan liabilities	**(40,335)**	(5,900)	(9,633)	7,707	18,883
Experience adjustments on plan assets	**17,879**	740	(990)	15,826	194

22. Project Related Expenses

This account consists of:

	2012	2011
Salaries, wages and employee benefits (Notes 21 and 27)	**₱827,762,656**	₱729,789,326
Transportation and travel	**149,931,282**	151,172,587
Interest expense (Note 18)	**111,811,450**	154,090,878
Rental expenses (Note 26)	**69,035,365**	63,094,685
Supplies and materials	**61,023,671**	66,602,666
Staff training and development	**44,618,298**	49,160,615
Information technology (Note 27)	**41,317,053**	42,489,522
Provision for credit losses (Note 16)	**38,340,290**	87,543,695
Depreciation and amortization (Note 13)	**32,938,884**	33,409,219
Program monitoring and evaluation	**24,785,054**	29,895,062
Utilities	**21,436,645**	19,526,147

(Forward)

Repairs and maintenance	**20,449,436**	22,069,257
Client training and development	**18,295,510**	27,942,842
Communication and postage	**13,185,808**	23,864,882
Janitorial, messengerial and security	**13,057,893**	6,836,640
Taxes and licenses (Note 14)	**7,857,398**	8,145,189
Seminars and meetings	**6,045,081**	6,169,415
Insurance expense	**3,742,529**	9,707,324
Others	**14,993,730**	14,717,110
	₱1,520,628,033	₱1,546,227,061

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

23. Grants

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

On June 13, 2011, the Organization entered into a contract with WS Family Foundation and Kazarian Foundation (collectively as ‘the Foundations’) which was formalized on August 9, 2011, to establish the educational loan fund component of its Zero Drop-out Education Scheme (ZeDrES) program to grant loans to CARD Mutually Reinforcing Institutions (MRI) members and non-members (collectively as ‘the Borrowers) for the purpose of enabling the borrowers to enroll their children in elementary schools and for these children to complete their elementary education. The Organization, together with two financial institutions of CARD MRI, CARD Bank, Inc. and CARD SME Bank, commenced operations of the Fund on July 1, 2011. The related grant recognized by the Organization amounted to ₱10.0 million in 2012 and 2011.

24. Other Revenue and Other Administrative Expenses

Other revenue consists of:

	2012	2011
Equity in net earnings of associates (Note 12)	**₱74,256,037**	₱57,283,088
Interest (Notes 6, 7, 15 and 27)	**15,265,309**	16,193,945
Rent (Notes 14 and 26)	**5,247,420**	5,331,368
Dividend income (Note 27)	**3,153,469**	201,392
Miscellaneous (Note 27)	**9,997,655**	4,866,579
	₱107,919,890	₱83,876,372

Miscellaneous income pertains to income earned from providing technical assistance to foreign partners and others.

Other administrative expenses consist of:

	2012	2011
Salaries, wages and employee benefits (Notes 21 and 27)	**₱24,239,982**	₱9,273,577
Provision for (reversal of) impairment losses (Notes 12, 14 and 15)	**(14,771,787)**	259,766
Depreciation and amortization (Note 13)	**11,179,042**	7,699,785
Transportation and travel	**3,544,370**	4,838,471
Staff training and development	**2,875,234**	3,338,688
Seminars and meetings	**4,541,564**	3,126,708
Supplies and materials	**1,072,439**	1,936,363
Program monitoring and evaluation	**1,020,987**	1,625,180
Representation	**1,308,439**	1,527,801
Management and other professional fees	**3,266,587**	1,275,044
Taxes and licenses	**639,900**	749,959
Miscellaneous	**2,239,911**	1,578,551
	₱41,156,668	₱37,229,893

Reversal of allowance for impairment losses represents allowance on investment property amounting to ₱4.7 million and allowance on investment in CARD SME Bank amounting to ₱10.3 million.

25. **Commitments and Contingencies**

There are commitments, guarantees and contingent liabilities that arise in the normal course of the Organization'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 Organization's financial statements as at December 31, 2012 and 2011.

26. **Lease Contracts**

As Lessee

The Organization leases the premises occupied by its branches, as well as staff houses of its employees. The lease contracts are for periods ranging from six months to two years and are renewable upon mutual agreement between the Organization and the lessors. As at December 31, 2012 and 2011, total 'Rental expense' under 'Project related expenses' amounted to ₱69.0 million and ₱63.1 million, respectively (Note 22).

The future aggregate minimum lease payments within one year in 2012 and 2011 under non-cancelable operating leases amounted to ₱25. 7 million and ₱51.7 million, respectively.

As Lessor
The Organization's operating lease contracts generally have terms of one year only, except for the lease contract entered into with BDSF in 2010 which has a term of five years and five months and CARD SME Bank which is renewable every two years. Operating lease income included under 'Other revenue' in 2012 and 2011 amounted to ₱5.2 million and ₱5.3 million, respectively (Note 24).

The future aggregate minimum rentals receivable under operating lease in 2012 and 2011 amounted to ₱2.5 million within one year and ₱9.1 million and ₱60,000 after one year but within five years, respectively.

27. Related Party Transactions

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

Transactions with retirement plans
Under PFRS, certain post-employment benefit plans are considered as related parties. CARD MRI's Multi-Employer Retirement Plan (MERP) is managed by the CARD Employee Multipurpose Cooperative (EMPC). Part of the plan assets are invested in time deposits and special savings accounts with the affiliated banks (Note 10).

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

The compensation of key management personnel included under 'Project related expenses' and 'Others' in the statement of comprehensive income are as follows:

	2012	2011
Short-term employee benefits	**₱15,558,532**	₱9,378,103
Post employment benefits	**3,519,771**	2,814,249
	₱19,078,303	₱12,192,352

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

Cash and cash equivalents, accounts payable and accounts receivable

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

	December 31, 2012		
Category	**Amount / Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
CARD Bank			
Cash and cash equivalents		**₱103,643,972**	These are savings and checking accounts with annual interest rates ranging from 1.5% to 4.0%
Deposits	**₱1,145,676,591**		
Withdrawals	**(1,185,348,672)**		
Due to affiliates		**1,951**	Transfer of members payment from unit offices
Billings	**623,840**		
Payments	**(622,723)**		
Due from affiliates		**381,056**	Share of various expenses
Billings	**7,980,372**		
Collections	**(8,273,938)**		
CMDI			
Due to affiliates		**3,220,579**	Training fee for series of trainings conducted
Billings	**11,942,122**		
Payments	**(9,396,165)**		
Due from affiliates		**40,146**	Share of various expenses
Billings	**2,071,787**		
Collections	**(2,128,126)**		
BDSFI			
Due to affiliates		**4,479,548**	Subscription of common stock to CARD Leasing and Finance Corp., supplies
Billings	**22,049,442**		
Payments	**(17,603,641)**		
Due from affiliates		**35,368,212**	Long term loan payable within 5 years, share of various expenses
Billings	**36,393,540**		
Collections	**(37,658,305)**		
CARD MBA			
Due to affiliates		**11,007,817**	This pertains to MBA remittances of unit offices
Billings	**15,020,567**		
Payments	**(8,324,416)**		
Due from affiliates		**5,547,207**	Share of various expenses
Billings	**7,255,597**		
Collections	**(3,699,546)**		
CARD SME			
Cash and cash equivalents		**30,316,585**	These are savings account with annual interest rates ranging from 2.0% to 4.5%
Deposits	**155,781,000**		
Withdrawals	**(157,402,482)**		
Due to affiliates		**2,574**	Members payments from unit offices
Billings	**97,487**		
Payments	**(94,913)**		
Due from affiliates		**64,976**	Share of various expenses
Billings	**42,728,109**		
Collections	**(42,667,816)**		
CARD EMPC			
Due to affiliates		**38,732**	Health claims and share on communication expenses
Billings	**9,810,352**		
Payments	**(9,854,152)**		
Due from affiliates		**157,204**	Financial assistance provided to staff, health claims and share on various expenses
Billings	**4,087,986**		
Collections	**(4,151,821)**		
CAMIA			
Due to affiliates		**8,257**	This pertains to insurance premium
Billings	**3,271,508**		
Payments	**(3,275,956)**		
Due from affiliates		**98**	Share on transportation cost and other expenses
Billings	**178,859**		
Collections	**(3,272,256)**		

(Forward)

Category	Amount / Volume	Outstanding Balance	Nature, Terms and Conditions
	December 31, 2012		
CMIT			
Due to affiliates		**₱79**	Share on transportation expenses
Billings	**₱6,979**		
Payments	**(16,053)**		
Due from affiliates		**327**	Share on transportation cost and communication expenses
Billings	**1,067,460**		
Collections	**(1,181,991)**		
BotiCARD			
Due to affiliates		**217,350**	This pertains to medicine kit issued to unit offices
Billings	**224,250**		
Payments	**(6,900)**		
Due from affiliates		**36,889**	Share on transportation cost and communication expenses
Billings	**256,217**		
Collections	**(219,328)**		

Category	Amount / Volume	Outstanding Balance	Nature, Terms and Conditions
	December 31, 2011		
CARD Bank			
Cash and cash equivalents		₱143,316,053	These are checking and savings accounts with annual interest rates ranging from 1.5% to 4.0%
Deposits	₱893,350,353		
Withdrawals	(750,034,300)		
Due to affiliates		834	Members payment from unit offices
Billings	4,473,599		
Payments	(4,472,765)		
Due from affiliates		160,918	Share of various expenses
Billings	4,657,555		
Collections	(4,496,637)		
CMDI			
Due to affiliates		674,622	Training fee for series of trainings conducted and payment of tuition fee
Billings	1,662,248		
Payments	(987,626)		
Due from affiliates		96,485	Share on transportation cost and communication expenses
Billings	1,235,997		
Collections	(1,139,512)		
BDSFI			
Due to affiliates		33,747	Payment for solar lamps, other solar products and chemical stove
Billings	203,556		
Payments	(169,809)		
Due from affiliates		36,632,977	Long term loan payable within 5 years, share of various expenses
Billings	36,769,451		
Collections	(136,474)		
CARD MBA			
Due to affiliates		4,311,666	MBA remittances of unit offices
Billings	4,370,667		
Payments	(59,001)		
Due from affiliates		1,991,156	Share of various expenses
Billings	2,698,422		
Collections	(707,266)		
CARD SME			
Cash and cash equivalents		31,938,067	These are savings account with annual interest rates ranging from 2.0% to 4.5%
Deposits	60,964,067		
Withdrawals	(29,026,000)		
Due to affiliates		–	Share of various expenses
Billings	47,716		
Payments	(47,716)		
Due from affiliates		4,683	Share on transportation cost and communication expenses
Billings	240,902		
Collections	(236,219)		
CARD EMPC			
Due to affiliates		82,532	Share of various expenses
Billings	9,340,557		
Payments	(9,258,025)		
Due from affiliates		221,039	Financial assistance and health claims of staff
Billings	491,893		
Collections	(270,854)		

(Forward)

	December 31, 2011		
Category	Amount / Volume	Outstanding Balance	Nature, Terms and Conditions
CAMIA			
Due to affiliates		₱12,705	This pertains to insurance premium
Billings	₱18,095		
Payments	(5,390)		
Due from affiliates		846	Share of various expenses
Billings	3,217		
Collections	(2,371)		
CMIT			
Due to affiliates		9,153	Share on transportation expenses
Billings	18,340		
Payments	(9,187)		
Due from affiliates		114,858	
Billings	3,891,237		Share of various expenses
Collections	(3,776,379)		

Others

Other related party transactions of the Organization are as follows:

	2012	2011	Nature, Terms and Conditions
Statement of Assets, Liabilities and Fund Balance			
CARD Bank			
AFS investment	**2,517,400**	2,517,400	This pertains to investment in preferred shares to CARD Bank. (12,587 shares at 200 per share)
Investment in associate	**217,438,038**	175,581,656	Investment in common shares with 29.5% ownership (Note 12)
Dividend received	**36,829,900**	5,500,000	Share of dividend from investment in associates
Other assets	**15,544,006**	15,278,829	This pertains to grant fund from German Savings Foundation intended as revolving fund of CARD Bank (Note 15)
CARD SME Bank			
Investment in associate	**119,768,542**	59,501,652	Investment in common shares with 39.6% ownership (Note 12)
Other assets	–	5,220,000	This pertains to hold out deposit for CARD SME which is intended to secure the interest of CARD SME concerning its deposit with CARD Bank (Note 15)
CARD BDSF			
Unearned rent income	**345,264**	454,737	This pertains to unearned income from premises rented out by the Organization to CARD BDSF. This is recorded under 'Accounts payable and accrued expenses' (Note 17)
CAMIA			
Investment in associate	**3,414,814**	2,195,679	Investment in common shares with 39.5% and 38.6% ownership in 2012 and 2011, respectively (Note 12)
Dividend received	**523,910**	74,073	Share of dividend from investment in associates
CMIT			
Investment in associate	**15,401,308**	6,472,026	Investment in common shares with 30.0% ownership (Note 12)
BotiCARD			
Investment in associate	**1,783,048**	518,392	Investment in common shares with 15.0% ownership (Note 12)
Prepaid subscription	**2,000,000**	–	Represents deposit for future stock subscription in which BotiCARD's application for increase in shares of stock has not yet filed with the SEC (Note 15)
RISE			
Investment in associate	**13,643,423**	13,643,423	Investment in common shares with 32.7% ownership (Note 12)
Prepaid subscription	**7,060,000**	–	Represents deposit for future stock subscription in which RISE's application for increase in shares of stock has not yet filed with the SEC (Note 15)

	2012	2011	**Nature, Terms and Conditions**
Statement of Revenue and Expenses and Changes in Fund Balance			
CARD Bank			
Equity in net earnings	**₱63,061,283**	₱48,636,630	Equity share in net income of associates (Note 24)
Share in unrealized AFS loss	–	43,220	Represents share in other comprehensive income of associates
Interest income	**4,210,157**	3,000,803	These are interest earned by savings and time deposit accounts of the Organization
Dividend income	**292,018**	201,392	This pertains to dividend earned from preferred share AFS investment of the Organization
Rent income	**4,320,000**	4,455,000	These are income earned from premises rented out by the Organization to other CARD MRI institutions
CMDI			
Grants and donations	–	5,000,000	These are grants and donations provided for by the Organization as assistance for the operations of other CARD MRI institutions
Rent income	–	180,000	These are income earned from premises rented out by the Organization to other CARD MRI institutions
Seminars and training	**15,740,039**	15,606,754	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 comprehensive income
CARD MBA			
Grants and donations	–	4,000,000	These are grants and donations provided for by the Organization as assistance for the operations of other CARD MRI institutions
Rent Income	–	192,000	These are income earned from premises rented out by the Organization to other CARD MRI institutions
CARD SME Bank			
Interest income	**2,000,735**	1,483,046	These are interest earned by savings and time deposit accounts of the Organization
Equity in net earnings	**9,067,373**	3,443,728	Equity share in net income of associates (Note 24)
Share in unrealized AFS gain	–	352,697	Represents share in other comprehensive income of associates
Rent income	**63,158**	61,316	These are income earned from premises rented out by the Organization to other CARD MRI institutions
CARD BDSFI			
Interest income	**1,829,085**	–	This pertains to interest earned by the Organization from loans granted to CARD BDSFI
Rent income	**383,052**	383,052	These are income earned from premises rented out by the Organization to other CARD MRI institutions
Grants and donations	**5,000,000**	15,000,000	These are grants and donations provided for by the Organization as assistance for the operations of other CARD MRI institutions
CAMIA			
Equity in net earnings	**1,068,045**	1,659,752	Equity share in net income of associates (Note 24)
CMIT			
Rent income	**105,000**	60,000	These are income earned from premises rented out by the Organization to other CARD MRI institutions
Equity in net earnings	**929,282**	3,292,885	Equity share in net income of associates (Note 24)
Information technology	**41,317,053**	40,180,416	This pertains to the CMIT's rendered services in relation to system maintenance agreement and upgrade of the Organization's core banking system (CBS)
BotiCARD			
Equity in net earnings	**264,656**	18,392	Equity share in net income of associates (Note 24)
RISE			
Equity in net earnings	**48,485**	231,701	Equity share in net income of associates (Note 24)

Other related party transactions include:

a. The Organization entered into a usufruct agreement with CMDI. The grant of the usufruct was made by the Organization 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 Organization and CMDI.

b. In 2012, the Organization acquired 26.2% ownership interest in CARD Leasing and Finance Corporation (LFC), Inc. for ₱3.7 million and prepaid such amount as advance subscription for future authorized capital stock of CARD LFC. It was recorded as subscription under 'Other assets' (see Note 15).

c. Transitioned branches from the Organization to CARD Bank were 28 and 24 in 2012 and 2011, respectively. In 2012, transition branches to CARD SME Bank and Rizal Rural Bank were 21 and 2, respectively. CARD Bank's BOD passed a resolution for the transition of the branches from the Organization after receipt of approval from the BSP to establish additional microfinance-oriented branches on January 27, 2012 for 2012 additional branches and January 5, 2011 for 2011 additional branches.

28. Appropriation of Fund Balance

On June 20, 2009, the Organization'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, 2012 and 2011, receipts of rental income amounting to ₱5.2 million and ₱5.3 million, respectively, are appropriated, bringing the total appropriation to ₱65.1 million and ₱59.9 million as at December 31, 2012 and 2011, respectively (Note 14).

29. Approval for the Release of the Financial Statements

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

30. Supplementary Information Required Under Revenue Regulations 19-2011

In addition to the required supplementary information under Revenue Regulations RR No. 15-2010, on December 9, 2011, the BIR issued RR No. 19-2011 which prescribes the new annual income tax forms that will be used for filing effective taxable year 2011. Specifically, companies are required to disclose certain tax information in their respective notes to financial statements.

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

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

Charitable contribution	₱27,571,400
Salaries and allowances	24,239,982
Provision for (reversal of) impairment losses	(14,771,787)
Depreciation	11,179,042
Seminars and meetings	4,541,564
Research and development	4,039,379
Transportation and travel	3,544,370
Management and consultancy fee	3,266,587
Staff training and development	2,875,234
Health program	2,402,273
Representation	1,308,439
Supplies and materials	1,072,439
Program monitoring and evaluation	1,020,987
Scholarship program	918,340
Taxes and licenses	639,900
Repairs and maintenance	505,395
Communication	392,722
Advertising	6,000
Miscellaneous	1,335,794
Total expenses	₱76,088,060

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

The components of 'Taxes and licenses' recognized in the statement of comprehensive income follow:

Business permits and licenses	₱6,306,177
Documentary stamp tax	1,471,287
Real property tax	673,188
Community tax certificate	19,986
Others	26,660
	₱8,497,298

The following withholding taxes are categorized into:

Withholding tax on compensation and benefits:	
Paid	₱22,173,149
Accrued	3,182,889
	25,356,038
Expanded withholding tax on:	
Professional fee:	
Paid	62,176
Accrued	10,564
Rent expense:	
Paid	3,203,893
Accrued	315,815
Others:	
Paid	2,276,481
Accrued	3,766,983
	9,635,912
	₱34,991,950

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

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

SCHEDULE I:	Schedule of All Philippine Financial Reporting Standards (PFRS) Effective as at December 31, 2012 [which consist of PFRSs, Philippine Accounting Standards (PAS) and Philippine Interpretations]
SCHEDULE II:	Schedule of Receipts and Disbursements

SCHEDULE I

CENTER FOR AGRICULTURE AND RURAL DEVELOPMENT (CARD), INC.

(A Nonstock, Not-for-Profit Organization)

SUPPLEMENTARY SCHEDULE OF PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRSs) EFFECTIVE AS AT DECEMBER 31, 2012

[which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations]

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Early Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓			
PFRSs Practice Statement Management Commentary		✓			
Philippine Financial Reporting Standards					
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓			
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate				✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters				✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters				✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters				✓
	Amendments to PFRS 1: Government Loans				✓
PFRS 2	Share-based Payment				✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations				✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions				✓
PFRS 3 (Revised)	Business Combinations				✓
PFRS 4	Insurance Contracts				✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts				✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations				✓
PFRS 6	Exploration for and Evaluation of Mineral Resources				✓
PFRS 7	Financial Instruments: Disclosures	✓			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓			
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓			
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Early Adopted	Not Applicable
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓			
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓			
PFRS 8	Operating Segments				✓
PFRS 9*	Financial Instruments			✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓	
PFRS 10*	Consolidated Financial Statements			✓	
PFRS 11*	Joint Arrangements			✓	
PFRS 12*	Disclosure of Interests in Other Entities			✓	
PFRS 13*	Fair Value Measurement			✓	
Philippine Accounting Standards					
PAS 1 (Revised)	Presentation of Financial Statements	✓			
	Amendment to PAS 1: Capital Disclosures	✓			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation				✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓			
PAS 2	Inventories				✓
PAS 7	Statement of Cash Flows	✓			
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓			
PAS 10	Events after the Reporting Period	✓			
PAS 11	Construction Contracts				✓
PAS 12	Income Taxes				✓
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets				✓
PAS 16	Property, Plant and Equipment	✓			
PAS 17	Leases	✓			
PAS 18	Revenue	✓			
PAS 19	Employee Benefits	✓			
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓			
PAS 19 (Amended)*	Employee Benefits			✓	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance				✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓			
	Amendment: Net Investment in a Foreign Operation				✓
PAS 23 (Revised)	Borrowing Costs	✓			
PAS 24	Related Party Disclosures	✓			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Early Adopted	Not Applicable
(Revised)					
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓			
PAS 27	Consolidated and Separate Financial Statements				✓
PAS 27 (Amended)*	Separate Financial Statements			✓	
PAS 28	Investments in Associates	✓			
PAS 28 (Amended)*	Investments in Associates and Joint Ventures			✓	
PAS 29	Financial Reporting in Hyperinflationary Economies				✓
PAS 31	Interests in Joint Ventures				✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation				✓
	Amendment to PAS 32: Classification of Rights Issues	✓			
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓			
PAS 33	Earnings per Share				✓
PAS 34	Interim Financial Reporting				✓
PAS 36	Impairment of Assets	✓			
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓			
PAS 38	Intangible Assets	✓			
PAS 39	Financial Instruments: Recognition and Measurement	✓			
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓			
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions				✓
	Amendments to PAS 39: The Fair Value Option	✓			
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts				✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓			
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓			
	Amendment to PAS 39: Eligible Hedged Items				✓
PAS 40	Investment Property	✓			
PAS 41	Agriculture				✓
Philippine Interpretations					
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓			
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments				✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Early Adopted	Not Applicable
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds				✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*				✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*				✓
IFRIC 8	*Scope of PFRS 2*				✓
IFRIC 9	Reassessment of Embedded Derivatives	✓			
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓			
IFRIC 10	*Interim Financial Reporting and Impairment*				✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions				✓
IFRIC 12	Service Concession Arrangements				✓
IFRIC 13	Customer Loyalty Programmes				✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓			
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓			
IFRIC 16	Hedges of a Net Investment in a Foreign Operation				✓
IFRIC 17	Distributions of Non-cash Assets to Owners				✓
IFRIC 18	Transfers of Assets from Customers				✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓			
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine				✓
SIC-7	Introduction of the Euro				✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities				✓
SIC-12	Consolidation - Special Purpose Entities				✓
	Amendment to SIC - 12: Scope of SIC 12				✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers				✓
SIC-15	Operating Leases - Incentives	✓			
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders				✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓			
SIC-29	Service Concession Arrangements: Disclosures.				✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services				✓
SIC-32	Intangible Assets - Web Site Costs				✓

SCHEDULE II

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

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

RECEIPTS

Collection of project and members assistance	₱12,449,059,968
Administrative fee	1,674,135,073
Proceeds from borrowings	375,000,000
Dividends received	40,507,278
Interest received	17,696,652
Grants received	14,915,857
Contributions from members for capital build up	4,983,262
Proceeds from disposal of property and equipment	3,863,943
Others	51,045,671
	₱14,631,207,704

DISBURSEMENTS

Releases of project and members assistance	₱12,501,339,900
Project related expenses	1,236,293,291
Settlement of borrowings	718,786,822
Interest paid	117,421,139
Short term investment	84,500,000
Investment in equity shares	66,193,000
Acquisition of property and equipment	51,887,062
Administrative expenses	31,806,885
Contribution to the retirement plan	29,824,753
Other investment	10,750,000
Prepaid subscription of equity shares	12,735,000
Available for sale investment	6,600,940
Research expenses	3,950,248
Grants and donation	5,637,400
Acquisition of investment properties	74,620
Others	2,602,968
	₱14,880,404,028