

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

Consolidated Financial Statements
December 31, 2015 and 2014

And

Independent Auditors' Report



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



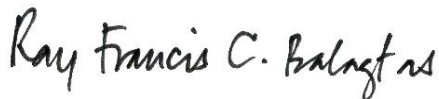
Opinion

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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 31 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Center for Agriculture and Rural Development (CARD), Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Ray Francis C. Balagtas

Partner

CPA Certificate No. 108795

SEC Accreditation No. 1510-A (Group A)

October 1, 2015, valid until September 30, 2018

Tax Identification No. 216-950-288

BIR Accreditation No. 08-001998-107-2015

March 4, 2015, valid until March 3, 2018

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

March 19, 2016



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

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

	Consolidated		Parent Company	
	December 31		December 31	
	2015	2014 (As restated – Note 2)	2015	2014 (As restated – Note 2)
ASSETS				
Cash and Cash Equivalents (Notes 6 and 28)	₱880,588,947	₱724,746,731	₱875,657,782	₱720,057,182
Short-term Investments (Note 7)	335,223,849	100,000,000	335,223,849	100,000,000
Receivables				
Receivables from members (Notes 8 and 19)	4,742,956,041	4,191,966,793	4,736,655,639	4,191,579,921
Finance lease and loans receivables (Note 9)	19,706,255	34,526,480	–	–
Due from affiliates (Notes 10 and 28)	3,982,263	9,246,699	3,985,481	9,246,699
Other receivables (Note 11)	109,273,259	61,915,842	108,605,210	61,778,300
Available-for-Sale Investments (Notes 12 and 28)	16,324,200	14,602,960	16,324,200	14,602,960
Investments in Subsidiaries and Associates (Note 13)	852,414,151	634,119,569	877,882,122	659,608,916
Property and Equipment (Note 14)	96,968,488	98,665,324	95,475,114	96,988,825
Investment Properties (Note 15)	48,959,916	33,035,461	30,888,632	27,706,390
Retirement Asset (Note 22)	107,102,124	5,891,244	107,102,124	5,891,244
Other Assets (Note 16)	46,357,679	67,607,435	45,957,333	67,375,670
	₱7,259,857,172	₱5,976,324,538	₱7,233,757,486	₱5,954,836,107
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Due to Members (Note 18)	₱2,272,899,507	₱1,967,884,752	₱2,271,837,908	₱1,967,803,383
Borrowings (Note 19)	1,714,237,488	1,316,958,261	1,711,737,488	1,311,958,261
Accounts Payable and Other				
Liabilities (Note 20)	464,555,124	432,005,622	458,923,937	428,950,344
Deferred Tax Liability	157,777	178,316	–	–
Retirement Liability (Note 22)	1,060,374	104,181	–	–
Total Liabilities	4,452,910,270	3,717,131,132	4,442,499,333	3,708,711,988
FUND BALANCE ATTRIBUTABLE TO PARENT COMPANY				
Fund Balance				
General fund	2,555,482,431	1,994,996,175	2,553,914,256	1,996,906,441
Restricted fund (Note 29)	81,507,288	75,816,526	81,507,288	75,816,526
Reserves				
Remeasurement gain on retirement plan	156,099,772	160,834,604	156,337,126	160,576,993
Equity in remeasurement gain (loss) on retirement plan of associates	429,890	12,824,159	(500,517)	12,824,159
	2,793,519,381	2,244,471,464	2,791,258,153	2,246,124,119
NON-CONTROLLING INTEREST	13,427,521	14,721,942	–	–
Total Fund Balance	2,806,946,902	2,259,193,406	2,791,258,153	2,246,124,119
	₱7,259,857,172	₱5,976,324,538	₱7,233,757,486	₱5,954,836,107

See accompanying Notes to Financial Statements.



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

STATEMENTS OF REVENUE OVER EXPENSES

	Years Ended December 31			
	Consolidated		Parent Company	
	2015	2014 (As restated – Note 2)	2015	2014 (As restated – Note 2)
REVENUE AND OTHER INCOME				
Administrative fee (Note 18)	₱2,346,522,822	₱2,039,617,965	₱2,345,403,899	₱2,039,609,389
Grants (Note 25)	15,504,583	27,741,147	11,446,640	27,741,147
Other income (Note 26)	20,953,788	25,223,963	16,315,662	20,973,321
	2,382,981,193	2,092,583,075	2,373,166,201	2,088,323,857
COSTS AND EXPENSES				
Project related expenses (Note 23)	1,869,066,546	1,635,568,667	1,869,066,546	1,635,568,667
Grants and donations (Note 28)	74,749,911	77,104,352	74,729,911	77,063,131
Health program	24,436,073	50,889,131	24,436,073	50,889,131
Scholarship program	7,159,588	765,297	7,159,588	765,297
Research program	4,041,600	34,725,687	4,041,600	34,725,687
Other administrative expenses (Note 26)	88,409,276	90,577,617	77,405,397	78,777,747
	2,067,862,994	1,889,630,751	2,056,839,115	1,877,789,660
EXCESS OF REVENUE OVER EXPENSES BEFORE SHARE IN NET INCOME OF ASSOCIATES AND SUBSIDIARIES				
	315,118,199	202,952,324	316,327,086	210,534,197
SHARE IN NET INCOME OF ASSOCIATES AND SUBSIDIARIES (Note 13)				
	250,915,696	140,773,538	247,096,847	138,951,175
EXCESS OF REVENUE OVER EXPENSES BEFORE INCOME TAX				
	566,033,895	343,725,862	563,423,933	349,485,372
PROVISION FOR INCOME TAX (Note 24)				
	940,960	1,130,950	725,356	1,076,464
EXCESS OF REVENUE OVER EXPENSES				
	₱565,092,935	₱342,594,912	₱562,698,577	₱348,408,908
ATTRIBUTABLE TO:				
Parent Company	₱566,177,018	₱344,582,332		
Non-controlling Interest	(1,084,083)	(1,987,420)		
	₱565,092,935	₱342,594,912		

See accompanying Notes to Financial Statements.



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

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31			
	Consolidated		Parent Company	
	2015	2014 (As restated – Note 2)	2015	2014 (As restated – Note 2)
EXCESS OF REVENUE OVER EXPENSES	₱565,092,935	₱342,594,912	₱562,698,577	₱348,408,908
Items that do not recycle to profit of loss in subsequent periods:				
Change in remeasurement gain (loss) of retirement plan, net of tax (Note 22)	(5,039,290)	434,949,010	(4,239,867)	434,532,940
	(5,039,290)	434,949,010	(4,239,867)	434,532,940
Change in equity in remeasurement gain (loss) of retirement plan of associates and subsidiaries	(12,394,269)	83,609,100	(13,324,676)	83,609,100
	(17,433,559)	518,558,110	(17,564,543)	518,142,040
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	₱547,659,376	₱861,153,022	₱545,134,034	₱866,550,948
Attributable to:				
Parent Company	₱549,047,917	₱862,981,983		
Non-controlling Interest	(1,388,541)	(1,828,961)		
	₱547,659,376	₱861,153,022		

See accompanying Notes to Financial Statements.



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

STATEMENTS OF CHANGES IN FUND BALANCE

	Consolidated					
	Fund Balance Attributable to the Parent Company					
	Fund Balance (Note 29)		Reserves		Equity in Remeasurement Gain (Loss) on Retirement Plan of Associates and Subsidiaries (Note 13)	Non-controlling interest
General Fund	Restricted Fund	Remeasurement Gain (Loss) on Retirement Plan (Note 22)				
Balance at January 1, 2015, as previously reported	₱1,996,818,538	₱75,816,526	₱160,834,604	₱12,824,159	₱14,797,874	₱2,261,091,701
Effect of restatement (Note 2)	(1,822,363)	–	–	–	(75,932)	(1,898,295)
Balance at January 1, 2015	1,994,996,175	75,816,526	160,834,604	12,824,159	14,721,942	2,259,193,406
Change in non-controlling interest	–	–	–	–	94,120	94,120
Appropriation during the year (Note 29)	(5,690,762)	5,690,762	–	–	–	–
Total comprehensive income for the year	566,177,018	–	(4,734,832)	(12,394,269)	(1,388,541)	547,659,376
Balance at December 31, 2015	₱2,555,482,431	₱81,507,288	₱156,099,772	₱429,890	₱13,427,521	₱2,806,946,902

	Consolidated					
	Fund Balance Attributable to the Parent Company					
	Fund Balance (Note 29)		Reserves		Equity in Remeasurement Gain (Loss) on Retirement Plan of Associates and Subsidiaries (Note 13)	Non-controlling interest
General Fund	Restricted Fund	Remeasurement Gain (Loss) on Retirement Plan (Note 22)				
Balance at January 1, 2014	₱1,655,827,106	₱70,403,263	(₱273,955,947)	(₱70,784,941)	₱16,550,903	₱1,398,040,384
Appropriation during the year (Note 29)	(5,413,263)	5,413,263	–	–	–	–
Total comprehensive income for the year	344,582,332	–	434,790,551	83,609,100	(1,828,961)	861,153,022
Balance at December 31, 2014	₱1,994,996,175	₱75,816,526	₱160,834,604	₱12,824,159	₱14,721,942	₱2,259,193,406

See accompanying Notes to Financial Statements.



	Parent Company				
	Fund Balance		Reserves		
	General Fund	Restricted Fund	Remeasurement Gain (Loss) on Retirement Plan (Note 22)	Equity in Remeasurement Gain (Loss) on Retirement Plan of Associates and Subsidiaries (Note 13)	Total
Balance at January 1, 2015, as previously reported	₱1,998,728,804	₱75,816,526	₱160,576,993	₱12,824,159	₱2,247,946,482
Effect of restatement (Note 2)	(1,822,363)	–	–	–	(1,822,363)
Balance at January 1, 2015	1,996,906,441	75,816,526	160,576,993	12,824,159	2,246,124,119
Appropriation during the year (Note 29)	(5,690,762)	5,690,762	–	–	–
Total comprehensive income for the year	562,698,577	–	(4,239,867)	(13,324,676)	545,134,034
Balance at December 31, 2015	₱2,553,914,256	₱81,507,288	₱156,337,126	(₱500,517)	₱2,791,258,153

	Parent Company				
	Fund Balance		Reserves		
	General Fund	Restricted Fund	Remeasurement Gain (Loss) on Retirement Plan (Note 22)	Equity in Remeasurement Gain (Loss) on Retirement Plan of Associates and Subsidiaries (Note 13)	Total
Balance at January 1, 2014	₱1,653,910,796	₱70,403,263	(₱273,955,947)	(₱70,784,941)	₱1,379,573,171
Appropriation during the year (Note 29)	(5,413,263)	5,413,263	–	–	–
Total comprehensive income for the year	348,408,908	–	434,532,940	83,609,100	866,550,948
Balance at December 31, 2014	₱1,996,906,441	₱75,816,526	₱160,576,993	₱12,824,159	₱2,246,124,119

See accompanying Notes to Financial Statements.



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

STATEMENTS OF CASH FLOWS

	Years Ended December 31			
	Consolidated		Parent Company	
	2015	2014 (As restated – Note 2)	2015	2014 (As restated – Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess of revenue over expenses before income tax	₱566,033,895	₱343,725,862	₱563,423,933	₱349,485,372
Adjustments for:				
Equity in net earnings of associates and subsidiary (Note 13)	(250,915,696)	(140,773,538)	(247,096,847)	(138,951,175)
Interest expense (Note 19)	43,079,284	64,719,480	42,858,867	64,169,480
Pension expense (Note 22)	38,307,187	135,553,857	38,224,551	135,462,320
Depreciation and amortization (Notes 14 and 15)	23,937,250	30,727,323	23,584,978	30,387,342
Provision for credit and impairment losses (Notes 8, 9, 11, 15, 16 and 17)	18,267,047	15,738,999	15,507,891	11,960,986
Interest income (Note 26)	(11,605,414)	(12,015,524)	(7,707,373)	(8,350,818)
Grant of land to affiliate	–	4,800,000	–	4,800,000
Amortization of debt issue costs (Note 19)	1,801,316	1,687,445	1,801,316	1,687,445
Foreign exchange gain	(579,673)	(86,060)	(767,000)	(86,060)
Dividend income (Notes 12, 26 and 28)	(314,160)	(3,304,604)	(314,160)	(3,304,604)
Loss (gain) on disposal/retirement of assets	(521,057)	(36,839)	4,867	4,901
Changes in operating assets and liabilities:				
Decrease (increase) in amounts of:				
Receivables	(607,235,727)	(537,245,376)	(602,053,982)	(530,992,224)
Short term investments	(235,223,849)	25,000,000	(235,223,849)	25,000,000
Other assets	21,069,831	(11,351,832)	21,727,726	(13,270,677)
Increase in amounts of:				
Due to members	305,010,497	264,788,922	304,034,525	264,707,553
Accounts payable and accrued expenses	33,500,152	125,589,250	31,589,886	123,731,396
Net cash flows generated from (used in) operations	(55,389,117)	307,517,365	(50,404,671)	316,441,237
Interest paid	(44,677,318)	(63,261,108)	(44,420,235)	(62,524,441)
Contributions to the retirement plan (Note 22)	(143,779,479)	(143,675,298)	(143,675,298)	(143,675,298)
Interest received	11,181,754	13,242,748	7,612,154	8,433,111
Income taxes paid	(799,407)	(1,153,153)	(780,281)	(1,059,034)
Net cash flows provided by (used in) operating activities	(233,463,567)	112,670,554	(231,668,331)	117,615,575

(Forward)



	Years Ended December 31			
	Consolidated		Parent Company	
	2015	2014	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal or maturity of:				
Property and equipment (Note 14)	₱176,693	₱894,961	₱176,150	₱572,370
Investment property (Note 15)	-	743,851	-	-
Investment in associates and subsidiary	274,400	-	274,400	-
Acquisitions of:				
Investment in associates (Note 13)	(62,385,000)	(14,522,170)	(67,091,000)	(15,148,250)
Property and equipment (Note 14)	(20,151,723)	(26,159,695)	(19,982,032)	(26,001,124)
Available-for-sale investments (Note 12)	(977,120)	-	(977,120)	-
Investment properties (Note 15)	(5,761,883)	(1,030,355)	(5,761,883)	(1,030,355)
Dividends received (Notes 12 and 13)	82,652,505	58,171,075	82,652,505	58,171,075
Prepaid subscription of equity shares (Note 16)	-	(31,950,400)	-	(31,950,400)
Net cash flows used in investing activities	(6,172,128)	(13,852,733)	(10,708,980)	(15,386,684)
CASH FLOWS FROM FINANCING ACTIVITIES				
Redemption of preferred stock	-	(7,500,000)	-	-
Proceeds from borrowings	1,873,508,100	1,332,708,500	1,873,508,100	1,327,708,500
Settlement of borrowings	(1,478,030,189)	(1,391,316,020)	(1,475,530,189)	(1,391,316,020)
Net cash flows provided by (used in) financing activities	395,477,911	(66,107,520)	397,977,911	(63,607,520)
NET INCREASE IN CASH AND CASH EQUIVALENTS	155,842,216	32,710,301	155,600,600	38,621,371
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	724,746,731	692,036,430	720,057,182	681,435,811
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	₱880,588,947	₱724,746,731	₱875,657,782	₱720,057,182

See accompanying Notes to Financial Statements.



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

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

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

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

The registered office of the Parent Company is located at 20 M. L. Quezon Street, City Subdivision, San Pablo City, Laguna. As at December 31, 2015 and 2014, the Parent Company has 942 and 725 branches, respectively.

The Subsidiaries

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

CARD Myanmar Company Limited (CMCL)

CMCL, a 98.7% owned subsidiary of the Parent Company provides three major services - microfinance, capacity building and technical assistance. The registered and principal place of business of CMCL is at R.H. N6 Waizayandar Garden Housing, Thingangyun Township, Yangon, Myanmar.

The Parent Company and its subsidiaries, collectively referred to as “the Group” are members of CARD-Mutually Reinforcing Institutions (MRI).

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements include the financial statements of the parent company and its subsidiaries. The financial statements of the Group and of the Parent Company have been prepared under the historical cost basis.

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.



The financial statements are presented in Philippine peso, which is the Group's presentation currency under the Philippine Financial Reporting Standards (PFRS). Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Parent Company and RISE is Philippine peso, while for CMCL's functional currency is Burmese kyat. All amounts are rounded to the nearest peso, unless otherwise indicated.

Statement of Compliance

The financial statements of the Group and the Parent Company have been prepared in accordance with the PFRS.

Presentation of Financial Statements

The Group presents its statement of assets, liabilities and fund balance broadly in order of liquidity. An analysis regarding recovery (asset) or settlement (liability) within twelve (12) months after the reporting date (current) and more than 12 months after the reporting date (noncurrent) is presented in Note 21.

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

Income and expense are not offset in the statement of revenue over expenses unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

Basis of Consolidation

The financial statements of the Parent Company are prepared to present its financial position and performance as at and for the years ended December 31, 2015 and 2014. The financial statements of RISE and CMCL, the subsidiaries, are prepared for the same reporting year as the Parent Company, using uniform accounting policies for like transactions and other events in similar transactions.

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

Subsidiaries

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

- power over the investee (i.e., existing rights that give the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its powers to affect the amount of returns.



Generally, there is a presumption that a majority of voting rights results in control. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Group re-assess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the year are included in the financial statements from the date the group gains control until the date the Group ceases to control the subsidiary.

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

Non-controlling interests

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

Changes in Accounting Policies and Disclosures

Except for the new and amended standards and interpretations which were adopted as at January 1, 2015, the accounting policies adopted are consistent with those of the previous financial year.

- Philippine Accounting Standard (PAS) 19, *Defined Benefit Plans: Employees Contributions* (Amendments)
- PAS 27, *Separate Financial Statements* – Equity Method in Separate Financial Statement (Amendments)
- Annual Improvements to PFRSs 2010-2012 Cycle
 - PFRS 2, *Share-based Payments* – Definition of Vesting Condition
 - PFRS 3, *Business Combinations* – Accounting for Contingent Consideration in a Business Combination
 - PFRS 8, *Operating Segments* – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets
 - PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets* – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization
 - PAS 24, *Related Party Disclosures* – Key Management Personnel



- Annual Improvements to PFRSs 2011-2013 Cycle
 - PFRS 3, *Business Combinations* – Scope Exceptions for Joint Arrangements
 - PFRS 13, *Fair Value Measurement* – Portfolio Exception
 - PAS 40, *Investment Property*

The aforementioned new and amended standards and interpretations which were adopted as at January 1, 2015, the accounting policies adopted are consistent with those of the previous financial year.

Restatement

The Group restated its 2014 financial statements to correct accounting for its investment in CMCL from that of an AFS investment to investment in subsidiary. As at December 31, 2014, the Group has control over CMCL by virtue of its 96.0% ownership interest on the latter.

Impact on the statement of revenue and expenses follows:

	December 31, 2014
<hr/>	
Increase (decrease) in:	
Administrative fee	₱8,576
Other administrative expenses	(1,906,871)
Revenue over expenses	<u>(₱1,898,295)</u>
Attributable to:	
Parent Company	(₱1,822,363)
Non-controlling Interest	(75,932)

Impact on the statement of assets, liabilities and fund balance follows:

	December 31, 2014
<hr/>	
Increase (decrease) in:	
Assets	
Cash and cash equivalents	₱1,648,205
Receivables from members	386,872
Property and equipment	33,513
Other assets	112,195
Total assets	<u>₱2,180,785</u>
<hr/>	
(Forward)	
Liabilities	
Due to members	₱81,369
Accounts payable and other liabilities	1,761,711
Total liabilities	<u>₱1,843,080</u>
Net impact on equity	<u>₱337,705</u>
Attributable to:	
Parent Company	₱413,637
Non-controlling Interest	(75,932)



Impact on statement of cash flows follows:

	December 31, 2014
Increase (decrease) in:	
Operating	₱1,058,667
Investing	(36,542)
Financing	626,080
Net increase in cash and cash equivalents	₱1,648,205

In the Parent Company financial statements, the change in accounting for investment in CMCL decreased AFS investments by ₱2.2 million, decreased net income as a result of recognition of share in net income in CMCL of ₱1.8 million and increased investment in subsidiary of ₱0.4 million.

The Parent Company did not present a third statement of assets, liabilities and fund balances since the opening balances were not affected.

Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents consist of petty cash fund, cash on hand and demand, savings and time deposits in banks that are highly liquid and readily convertible to known amounts of cash with original maturities of three months or less from dates of placements and which are subject to insignificant risk of changes in value.

Foreign Currency Transaction

For financial reporting purposes foreign currency-denominated monetary assets and liabilities are translated in Philippine pesos 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 differences arising from foreign currency transactions and restatements of foreign currency-denominated assets and foreign currency denominated liabilities are credited to or charged against statement of revenue over expenses 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 was determined.

Overseas subsidiary

As at the reporting date, the assets and liabilities of the overseas subsidiary is translated into the Parent Company's presentation currency (Philippine peso) at the closing rate prevailing at the reporting date, and the income and expenses are translated at the average exchange rate for the year. Exchange differences arising on translation are taken directly to OCI under 'Translation adjustment'. On disposal of a foreign entity, the deferred cumulative amount recognized in OCI relating to the particular foreign operation is recognized in the statement of revenue over expenses.



Fair Value Measurement

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

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

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

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



Financial Instruments – Initial Recognition and Subsequent Measurement

Date of recognition

The Group recognizes a financial asset or financial liability in the statement of assets, liabilities and fund balance when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial instruments that require delivery within the time frame established by regulation or convention in the marketplace are recognized on settlement date. Deposits and receivables are recognized when cash is received by the Group or advanced to the borrowers.

Initial recognition and classification of financial instruments

All financial assets and financial liabilities are initially measured at fair value. Except for financial assets and financial liabilities at fair value through profit or loss (FVPL), the initial measurement includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) investments and loans and receivables while financial liabilities are classified as financial liabilities at FVPL and financial liabilities 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, 2015 and 2014, the Group has no financial assets and financial liabilities at FVPL and HTM investments.

'Day 1' difference

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

Loans and receivables

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

After initial measurement, loan and receivables are subsequently measured at amortized cost using the effective interest method, less any 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 'Administrative fee' in the statement of revenue over expenses. The losses arising from impairment are recognized in 'Provision for credit and impairment losses' under 'Project related expenses' in the statement of revenue over expenses.

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. AFS comprises solely of unquoted equity securities.



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

When an AFS equity investment is disposed of, any cumulative gain or loss previously recognized in OCI is recognized as 'Other income' in the statement of revenue over expenses. Dividends earned on holding AFS equity investments, if any, are recognized in the statement of revenue over expenses as 'Other income' when the right to receive payment has been established. The losses arising from impairment of such investments are recognized as 'Provision for impairment losses' under 'Other administrative expenses' in the statement of revenue over expenses.

Financial liabilities at amortized cost

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

After initial measurement, financial liabilities not qualified 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.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

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

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

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



Financial liabilities

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

Impairment of Financial Assets

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

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

Financial assets carried at amortized cost

For cash and cash equivalents, short-term investments and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the statement of revenue over expenses. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to 'Provision for credit losses' under 'Project related expenses' in the statement of revenue over expenses.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, 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, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

Restructured receivables

Where possible, the Group seeks to restructure receivables, which may involve extending the payment arrangements and the agreement of new receivable conditions. Once the terms have been renegotiated, the receivable is no longer considered past due. Management continuously reviews restructured receivables to ensure that all criteria are met and that future payments are likely to occur. The receivables continue to be subject to an individual or collective impairment assessment, calculated using the receivable's original EIR. The difference between the recorded value of the original receivable and the present value of the restructured cash flows, discounted at the original EIR, is recognized in 'Provision for credit losses' under 'Project related expenses' in the statement of revenue over expenses.

AFS investments

For AFS investments, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

Investment in Associates

Associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or the joint control over the those policies.

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

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



Property and Equipment

Land is carried at cost less any impairment in value and depreciable property and equipment, which include building and improvements, furniture and fixtures and office and transportation equipment, is carried at cost less accumulated depreciation and any impairment in value.

The initial cost of property and equipment, consists of its purchase price, including import duties, taxes and any directly attributable costs 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 are removed from the accounts, and any resulting gain or loss is reflected in the statement of revenue over expenses.

Depreciation is computed using the straight-line method over the estimated useful lives (EUL) of the respective assets.

The EULs of the depreciable assets are as follows:

Building	5 to 25 years
Furniture and fixtures	3 to 5 years
Office equipment	3 to 5 years
Transportation equipment	3 to 5 years
Leasehold improvements	3 years or the terms of the related lease, whichever is shorter

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

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

Investment Properties

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

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

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



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

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

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

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

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

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

Impairment of Nonfinancial Assets

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

At each reporting date, the Group assesses whether there is any indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use (VIU) and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to operations in the year in which it arises.

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



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

Residual Value of Leased Assets

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

Fund Balance

General

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

Restricted

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

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration, received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has assessed 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 based on the effective interest method of accounting.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and allocating the income over the relevant period. The EIR is the rate that exactly discounts estimated future cash flows through the expected useful life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees (such as service fees) or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR used to discount the future recoverable cash flows.

Grants

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



Leasing income

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

Finance income

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

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

Interest income

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

Rent income

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

Dividend income

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

Costs and Expenses

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

Retirement Benefits

The Group is covered by a funded noncontributory defined benefit retirement plan.

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

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

Retirement costs comprise the following:

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



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

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in the statement of financial position with a corresponding debit or credit to 'Remeasurement gains (losses) on retirement liabilities' under OCI in the period in which they arise. Remeasurements are not reclassified to the statement of income in subsequent periods.

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

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

Leases

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

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

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



Operating Leases

Group as lessee

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

Group as lessor

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

Finance Leases

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

Income Taxes

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, with certain exceptions, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences, carry forward of unused excess MCIT over RCIT and unused NOLCO can be utilized.

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

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



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

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

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

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of revenue over expenses, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized under 'Interest expense' under 'Project related expenses' in the statement of revenue over expenses.

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 Date

Post-year-end events up to the date of the approval of the Board of Trustees (BOT) of the financial statements that provide additional information about the Group's position at the reporting date (adjusting events), are reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed in the notes to the financial statements when material.

Standards Issued but not yet Effective

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

No definite adoption date prescribed by the Securities and Exchange Commission (SEC) and Financial Reporting Standards Council (FRSC)

- Philippine Interpretation on IFRIC 15, *Agreement for the Construction of Real Estate*



Effective January 1, 2016

- PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investment in Associates and Joint Ventures* – Investment Entities: Applying the Consolidation Exception (Amendment)
- PFRS 11, *Joint Arrangements* – Accounting for Acquisitions of Interests (Amendments)
- PAS 1, *Presentation of Financial Statements* – Disclosure Initiative (Amendments)
- PFRS 14, *Regulatory Deferral Accounts*
- PAS 16, *Property, Plant, Equipment*, and PAS 41, *Agriculture* – Bearer Plants
- *Annual Improvements to PFRSs (2012-2014 Cycle)*
 - PFRS 5, *Non-current Assets Held for Sale and Discounted Operation* – Change in Methods of Disposal
 - PFRS 7, *Financial Instruments: Disclosures* – Servicing Contracts
 - PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
 - PAS 19, *Employee Benefits* – Regional Market Issue Regarding Discount Rate
 - PAS 34, *Interim Financial Reporting* – Disclosures of Information ‘Elsewhere in the Interim

Effective January 1, 2018

- PFRS 9, *Financial Instrument*

In July 2014, the International Accounting Standards Board (IASB) issued the final version of PFRS 9, *Financial Instruments*. The new standard (renamed as PFRS 9) reflects all phases of the financial instruments project and replaces PAS 39, *Financial instruments: Recognition and Measurement*, and all previous version of PFRS 9. The standard introduces new requirements for reclassification and measurement, impairment, and hedge accounting. Early application is permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Group did not early adopt PFRS 9.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Bank’s financial assets and impairment methodology for financial assets, including amount of credit losses, but will have no impact on the classification and measurement of the Group’s financial assets, but will have no impact on the classification and measurement of the Group’s financial liabilities. The new hedge accounting rules will have no effect on the Group. The Group is currently assessing the impact of adopting PFRS 9 in the financial statements.

In addition, the IASB has issued the following new standards that have not yet adopted locally by the SEC, FRSC, Board of Accountancy and Professional Regulation Commission. The Group is currently assessing the impact of these new standards and plans to adopt them on their required effective dates once adopted locally.

- IFRS 15, *Revenue from Contracts with Customer*

IFRS 15 was issued in May 2014 by the IASB and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.



The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

- IFRS 16, *Leases*

On January 13, 2016, IASB issued its new standard, IFRS 16, *Leases* which replaces IAS 17, the current leases standard, and the related Interpretations.

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their statements of assets, liabilities and fund balance, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15, *Revenue from Contracts with Customers*. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

3. Significant Accounting Judgments and Estimates

The preparation of the Group's financial statements in accordance with PFRS requires the management to make judgments and estimates that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments and assumptions 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) *Determination of significant influence over another entity*

The determination of significant influence over another entity, other than the rebuttable presumption of ownership over twenty percent (20.0%), requires significant judgment. In making judgment, the Group evaluates existence of the following:

- representation on the board of directors or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;



- material transactions between the entity and its investee;
- interchange of managerial personnel; or
- provision of essential technical information.

As at December 31, 2015, the Group determined that it exercises significant influence over CLFC and BotiCARD, Inc. in which it holds a 19.0% and 15.0% ownership interest, respectively. Although the Group holds less than 20.0% of the ownership interest and voting rights in CLFC and BotiCARD, Inc., the Group considers that it exercises significant influence through both its significant shareholding and its representation in CLFC's Board of Directors and material transactions with BotiCARD, Inc.

As at December 31, 2015 and 2014, entities on which the Group has significant influence are disclosed in Note 13.

(b) *Leases*

Operating Leases

Parent Company as lessor

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

Group as lessee

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

Finance Leases

RISE as lessor

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

(d) *Financial assets not quoted in an active market*

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

(e) *Impairment of AFS equity investments*

The Group determines that AFS equity investments are impaired when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.



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

No impairment loss was recognized on AFS equity investments in 2015 and 2014. The carrying values of the AFS investments are disclosed in Note 13.

Estimates

(a) *Credit losses on receivables*

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

As at December 31, 2015 and 2014, allowance for credit losses receivables of the Group and Parent Company is disclosed in Note 17.

The carrying values of the receivables of the Group and the Parent Company are disclosed in Notes 8, 9, 10 and 11.

(b) *Present value of defined benefit obligation*

The cost of defined benefit plan, as well as the present value of defined benefit obligation, is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. Due to the complexities involved in the valuation and the long-term nature of these plans, such estimates are subject to significant uncertainty.

In determining the appropriate discount rate, management considers the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as at reporting date, with extrapolated maturities corresponding to the expected duration of the defined retirement obligation. Future salary increases are based on expected future inflation rates for the specific country. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. The present value of the defined benefit obligation and fair value of plan asset of the Group and the Parent Company are disclosed in Note 22.

(c) *Impairment of property and equipment, investment properties and other nonfinancial assets*

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

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



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

The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the VIU 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 values of the property and equipment and investment properties of the Group and the Parent Company are disclosed in Notes 14 and 15, respectively. Details of the allowance for impairment losses are disclosed in Note 17.

(d) Estimated useful lives of property and equipment and investment properties

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

4. Fair Values of Measurement

The methods and assumptions used by the Group in estimating fair values of financial instruments and non-financial assets for which fair value is disclosed are as follows:

Fair values of cash and cash equivalents, short-term investments, receivables from members, due from affiliates, current portion of finance and lease receivables, advances, security deposits, due to members and accounts payable and other liabilities approximate their carrying amounts in view of relatively short-term maturities of these instruments.

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 of the counterparties.

Unquoted equity investments

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

Borrowings

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



Investment properties

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

The Group uses a hierarchy for determining and disclosing the fair value of its assets and liabilities (see accounting policy on Fair value Measurement in Note 2).

Fair Value Hierarchy

The following table summarizes the carrying amounts and the fair values by level of the fair value hierarchy of the Group and the Parent Company's financial and non-financial assets and liabilities as at December 31, 2015 and 2014 for which fair values are required to be disclosed.

	Consolidated			Parent Company		
	2015		Total Fair Value	2015		Total Fair Value
	Carrying Value	Level 3		Carrying Value	Level 3	
Assets for which fair values are disclosed:						
Financial assets						
Finance lease and loans receivables	₱19,706,256	₱21,391,388	₱21,391,388	₱-	₱-	₱-
Other receivables	11,963,639	12,175,383	12,175,383	11,963,639	12,175,383	12,175,383
Nonfinancial assets						
Investment properties	48,959,916	54,613,258	54,613,258	30,888,632	33,676,751	33,676,751
Financial liabilities						
Borrowings	1,712,119,411	1,708,307,750	1,708,307,750	1,712,119,411	1,708,218,650	1,708,218,650
<hr/>						
	Consolidated			Parent Company		
	2014		Total Fair Value	2014		Total Fair Value
	Carrying Value	Level 3		Carrying Value	Level 3	
Assets for which fair values are disclosed:						
Financial assets						
Finance lease and loans receivables	₱22,363,247	₱19,851,593	₱19,851,593	₱-	₱-	₱-
Other receivables	8,624,930	8,549,289	8,549,289	8,624,930	8,549,289	8,549,289
Nonfinancial assets						
Investment properties	33,035,461	38,597,239	38,597,239	27,706,390	32,293,161	32,293,161
Financial liabilities						
Borrowings	1,314,141,500	1,306,863,982	1,306,863,982	1,314,141,500	1,306,863,982	1,306,863,982

The Group and the Parent Company do not have financial instruments carried at fair value as at December 31, 2015 and 2014. The Group does not have assets and liabilities categorized under Levels 1 and 2 of the fair value hierarchy.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at every reporting date. There were no transfers between fair value categories for assets and liabilities measured at fair value in 2015 and 2014.



The following table summarizes the valuation techniques, inputs and assumptions used and the significant unobservable inputs valuation for investment property held by the Group:

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

Description of the valuation techniques, inputs and assumptions used to valuation of the Company investment properties are as follow:

Valuation Techniques, Inputs and Assumptions	Description
Market data approach	A process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale.

5. Financial Risk Management Objectives and Policies

In the course of the business cycle, the Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

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

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

CMCL is organized to provide three (3) major services: 1) microfinance, 2) capacity building and 3) technical assistance. CMCL carefully manages, measures, addresses and controls the risks encountered in the implementation of the program. Identified risks and effort exerted in



mitigating and addressing those identified risks are included in the monthly management meeting and reported the same to the BOD.

Credit Risk

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

Management of credit risk

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

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

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

Maximum exposure to credit risk

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

An analysis of the maximum exposure to credit risk of the Group and the Parent Company as at December 31, 2015 and 2014 are as follows (in millions):

Consolidated				
2015				
	Maximum credit exposure	Fair value of collateral	Financial effect of collateral or credit enhancement	Net exposure
Receivable from members	₱4,743	₱2,237	₱2,237	₱2,506
Finance lease and loans receivables	20	21	17	3
	₱4,763	₱2,258	₱2,254	₱2,509
Consolidated				
2014				
	Maximum credit exposure	Fair value of collateral	Financial effect of collateral or credit enhancement	Net exposure
Receivable from members	₱4,192	₱1,697	₱1,697	₱2,495
Finance lease and loans receivables	35	16	11	23
	₱4,227	₱1,713	₱1,708	₱2,518



Parent Company				
	Maximum credit exposure	Fair value of collateral	Financial effect of collateral or credit enhancement	Net exposure
2015				
Receivable from members	₹4,737	₹2,237	₹2,237	₹2,500
2014				
Receivable from members	₹4,192	₹1,697	₹1,697	₹2,495

Credit enhancement for receivables from members pertains to contribution of members for capital build-up purposes equivalent to 20.0% of the loaned amount of the member concerning the Parent Company (Note 20). CMCL implements savings mobilization which comprises the compulsory and voluntary savings. Myanmar Microfinance Supervisory Enterprise (MMSE) allows Microfinance or MFI entities to collect savings from their clients with a maximum compulsory rate of five (5.0%) percent and another voluntary rate of five (5.0%) percent for a total of ten (10.0%) percent based on the aggregated principal loan released.

The Group has no financial instruments with right of set-off in accordance with PAS 32 as at December 31, 2015 and 2014. There are also no financial instruments that are subject to an enforceable master netting arrangements of similar agreements which require disclosure in the financial statements.

Concentration of credit risk

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

Credit quality per class of financial assets

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

High grade represents bank deposits, receivables or advances which have a high probability of collection. The counterparty has the apparent ability to satisfy its obligation and the securities on the receivables are readily enforceable. These also include deposits with reputable institutions from where the deposits may be withdrawn and recovered with certainty.

Standard grade represents deposits, receivables or advances where collections are probable due to the reputation and the financial ability of the counterparty to pay.



The tables below show the credit quality per class of receivables (gross of allowance for credit losses) as at December 31, 2015 and 2014 (in thousands):

	2015				
	Consolidated				
	Neither past due nor impaired		Past due but not impaired	Past due and impaired	Total
	High Grade	Standard grade			
Cash in banks	₱880,244	₱-	₱-	₱-	₱880,244
Short-term investments	335,224	-	-	-	335,224
Receivables					
Receivables from members	-	4,849,495	4,222	31,919	4,885,636
Finance lease and loans receivables					
Finance lease receivables	8,262	2,621	7,029	-	17,912
Loans receivable	-	2,770	-	4,445	7,215
Due from affiliates	-	3,982	-	-	3,982
Other receivables	6	109,267	-	11,120	120,393
Available-for-sale investments	16,324	-	-	-	16,324
Other assets	1	11,270	-	-	11,271
	₱1,240,061	₱4,979,405	₱11,251	₱47,484	₱6,278,201

	2014				
	Consolidated				
	Neither past due nor impaired		Past due but not impaired	Past due and impaired	Total
	High Grade	Standard grade			
Cash in banks	₱722,990	₱-	₱-	₱-	₱722,990
Short-term investments	100,000	-	-	-	100,000
Receivables					
Receivables from members	-	4,290,563	5,133	37,218	4,332,914
Finance and lease receivables					
Finance lease receivables	10,115	1,334	14,899	994	27,342
Loans receivables	-	12,424	-	3,054	15,478
Due from affiliates	-	9,247	-	-	9,247
Other receivables	-	61,916	-	7,533	69,449
Available-for-sale investments	14,603	-	-	-	14,603
Other assets	-	23,992	-	-	23,992
	₱847,708	₱4,399,476	₱20,032	₱48,799	₱5,316,015

	2015				
	Parent Company				
	Neither past due nor impaired		Past due but not impaired	Past due and impaired	Total
	High Grade	Standard grade			
Cash in banks	₱875,343	₱-	₱-	₱-	₱875,343
Short-term investments	335,224	-	-	-	335,224
Receivables					
Receivables from members	-	4,843,195	4,222	31,790	4,879,207
Due from affiliates	-	3,985	-	-	3,985
Other receivables	-	108,605	-	11,100	119,705
Available-for-sale investments	16,324	-	-	-	16,324
Other assets	-	11,270	-	-	11,270
	₱1,226,891	₱4,967,055	₱4,222	₱42,890	₱6,241,058



2014						
Parent Company						
	Neither past due nor impaired			Past due but not impaired	Past due and impaired	Total
	High Grade	Standard grade				
Cash in banks	₱719,964	₱-	₱-	₱-	₱-	₱719,964
Short-term investments	100,000	-	-	-	-	100,000
Receivables						
Receivables from members	-	4,290,563	5,133	37,218		4,332,914
Due from affiliates	-	9,247	-	-		9,247
Other receivables	-	61,779	-	7,533		69,312
Available-for-sale investments	14,603	-	-	-		14,603
Other assets	-	23,991	-	-		23,991
	₱834,567	₱4,385,580	₱5,133	₱44,751		₱5,270,031

As at December 31, 2015 and 2014, the Group's receivables that are past due for more than 90 days are considered impaired.

Aging analysis of past due but not impaired

The following tables show the total aggregate amount of receivables from members that are contractually past due but not considered as impaired per delinquency bucket as at December 31, 2015 and 2014 (in thousands):

Consolidated				
2015	Less than			Total
	30 Days	31 to 60 Days	61 to 90 Days	
Project assistance receivables	₱897	₱1,496	₱1,530	₱3,923
Members assistance receivables	56	159	84	299
Finance lease and loans receivables	-	7,029	-	7,029
	₱953	₱8,684	₱1,614	₱11,251
(Forward)				
2014				
Project assistance receivables	₱1,783	₱1,631	₱1,309	₱4,723
Members assistance receivables	104	204	102	410
Finance lease and loans receivables	-	-	14,899	14,899
	₱1,887	₱1,835	₱16,310	₱20,032
Parent Company				
2015	Less than			Total
	30 Days	31 to 60 Days	61 to 90 Days	
Project assistance receivables	₱897	₱1,496	₱1,530	₱3,923
Members assistance receivables	56	159	84	299
	₱953	₱1,655	₱1,614	₱4,222
2014				
Project assistance receivables	₱1,783	₱1,631	₱1,309	₱4,723
Members assistance receivables	104	204	102	410
	₱1,887	₱1,835	₱1,411	₱5,133

Liquidity Risk

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



Analysis of financial assets and financial liabilities by remaining maturities

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

	Consolidated					Total
	On demand	Due within 1 month	1 to 3 months	3 to 12 months	Beyond 1 year	
2015						
Financial Assets						
Cash and cash equivalents	₱313,359	₱353,165	₱173,390	₱35,744	₱–	₱875,658
Short-term investments	–	–	60,171	275,152	–	335,323
Receivables – gross	5,258	300,154	1,579,418	3,601,377	9,574	5,495,781
AFS investments	–	–	–	–	16,324	16,324
Other assets	–	–	–	–	11,271	11,271
Total Financial Assets	318,617	653,319	1,812,979	3,912,273	37,169	6,734,357
Financial Liabilities						
Accounts payable and accrued expenses	2,435	49,287	78,386	206,486	122,310	458,904
Due to members	2,272,900	–	–	–	–	2,272,900
Borrowings	–	106,150	622,550	873,122	156,529	1,758,351
Total Financial Liabilities	2,275,335	155,437	700,936	1,079,608	278,839	4,490,155
Net Undiscounted Cash Flows	(₱1,956,718)	₱497,882	₱1,112,043	₱2,832,665	(₱241,670)	₱2,244,202

	Consolidated					Total
	On demand	Due within 1 month	1 to 3 months	3 to 12 months	Beyond 1 year	
2014						
Financial Assets						
Cash and cash equivalents	₱251,257	₱258,581	₱213,261	₱–	₱–	₱723,099
Short-term investments	–	–	–	100,620	–	100,620
Receivables	2,678	243,280	1,353,453	3,295,765	32,576	4,927,752
AFS investments	–	–	–	–	16,839	16,839
Other assets	–	7,999	–	–	15,993	23,992
Total Financial Assets	253,935	501,939	1,566,714	3,396,385	75,406	5,792,302
Financial Liabilities						
Accounts payable and accrued expenses	1,337	128,024	33,764	62,673	197,224	423,022
Due to members	1,967,803	–	–	–	–	1,967,803
Borrowings	–	76,782	618,368	527,631	138,463	1,361,244
Total Financial Liabilities	1,969,140	204,806	652,132	590,304	335,687	3,752,069
Net Undiscounted Cash Flows	(₱1,715,205)	₱297,133	₱886,632	₱2,789,031	(₱262,281)	₱1,995,310

	Parent Company					Total
	On demand	Due within 1 month	1 to 3 months	3 to 12 months	Beyond 1 year	
2015						
Financial Assets						
Cash and cash equivalents	₱313,402	₱353,479	₱173,390	₱35,744	₱–	₱876,015
Short term investments	–	–	60,485	277,732	–	338,217
Receivables – gross	73,736	216,196	636,745	4,528,652	6,566	5,461,895
AFS investments	–	–	–	–	16,324	16,324
Other assets	–	–	–	–	11,270	11,270
Total Financial Assets	387,138	569,675	870,620	4,842,128	34,160	6,703,721
Financial Liabilities						
Due to members	2,271,838	–	–	–	–	2,271,838
Accounts payable and accrued expenses	–	48,800	78,389	204,591	122,310	454,090
Borrowings	–	106,150	621,925	871,247	156,529	1,755,851
Total Financial Liabilities	2,271,838	154,950	700,314	1,075,838	278,839	4,481,779
Net Undiscounted Cash Flows	(₱1,884,700)	₱414,725	₱170,306	₱3,766,290	(₱244,679)	₱2,221,942



	Parent Company					Total
	On demand	Due within 1 month	1 to 3 months	3 to 12 months	Beyond 1 year	
2014						
Financial Assets						
Cash and cash equivalents	₱248,215	₱258,581	₱185,311	₱27,950	₱-	₱720,057
Short term investments	-	-	-	100,620	-	100,620
Receivables – gross	1,684	238,660	1,349,325	3,238,781	10,204	4,838,654
AFS investments	-	-	-	-	16,839	16,839
Other assets	-	-	-	-	23,991	23,991
Total Financial Assets	249,899	497,241	1,534,636	3,367,351	51,034	5,700,161
Financial Liabilities						
Due to members	1,967,803	-	-	-	-	1,967,803
Accounts payable and accrued expenses	-	128,118	33,764	62,673	197,224	421,779
Borrowings	-	76,157	618,368	525,756	135,963	1,356,244
Total Financial Liabilities	1,967,803	204,275	652,132	588,429	333,187	3,745,826
Net Undiscounted Cash Flows	(₱1,717,904)	₱292,966	₱882,504	₱2,778,922	(₱282,153)	₱1,954,335

Market Risk

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

Interest rate risk

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

The Parent Company's total receivables from members are set at fixed nominal rates of 18.0% to 23.0% in 2015 and 2014 per annum. The shortest term of loan is three months while the longest term is one year.

The Parent Company generally pays fixed interest to the members at 2.0% per annum in 2015 and 2014.

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

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

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

	Change in interest rate in %	Effect on excess of revenues over expenses
2015	+1.0%	(₱78,472)
	-1.0%	78,472
2014	+1.0%	(₱69,444)
	-1.0%	69,444



In 2015 and 2014, the Parent Company determined the reasonably possible change in interest rates using the percentage changes in market rate of borrowings on a quarterly and semi-annual basis.

Foreign currency risk

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

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

The following table shows the foreign currency-denominated accounts of the Group as at December 31, 2015 and 2014:

	2015		2014	
	in \$	in €	in \$	in €
Cash in banks and cash equivalents	337,733	42,876	745,908	100,345
Available-for-sale investments	270,000	–	318,000	–
Other assets	228,166	–	178,866	–
Total	835,899	42,876	1,242,774	100,345

In translating the foreign currency-denominated accounts to Philippine peso amounts, the exchange rate used was ₱47.0 to \$1.0 and ₱44.7 to \$1.0 in 2015 and 2014, respectively, and ₱51.7 to €1.0 and ₱53.7 to €1.0 in 2015 and 2014, respectively.

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

Currency	Change in currency rate in %	Effect on excess of revenue over expenses
2015		
USD	+5.0	₱2,090,716
	-5.0	(2,090,716)
Euro	+5.0	110,920
	-5.0	(110,920)
Currency	Change in currency rate in %	Effect on excess of revenue over expenses
2014		
USD	+5.0	₱2,778,843
	-5.0	(2,778,843)
Euro	+5.0	269,326
	-5.0	(269,326)

Equity price risk

The Group has no equity instruments that are publicly traded, thus, it has no exposure to changes in equity prices.



6. Cash and Cash Equivalents

This account consists of:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Cash in banks (Note 28)	₱880,244,285	₱724,571,407	₱875,343,378	₱719,964,071
Cash on hand	344,662	175,324	314,404	93,111
	₱880,588,947	₱724,746,731	₱875,657,782	₱720,057,182

Cash in banks consist of demand, savings and time deposit accounts. Time deposit accounts have maturities of less than three months from the date acquired. In addition, the Parent Company has dollar and euro accounts amounting to ₱13.4 million and ₱2.2 million and ₱33.3 million and ₱5.5 million as at December 31, 2015 and 2014, respectively.

The Group and Parent Company's cash in banks earn annual interest rates ranging from 0.1% to 4.0% and 0.1% to 4.3% in 2014 and 2015, respectively.

Interest income under 'Other income' earned by the Group, which is mostly attributed to the Parent Company, from cash in banks amounted to ₱6.1 million and ₱5.8 million in 2015 and 2014, respectively (Note 26).

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. As at December 31, 2015 and 2014, the Parent Company has short-term investments amounting to ₱335.2 million and ₱100.0 million, respectively.

Short-term investments earn annual interest rates ranging from 1.5% to 4.3% and from 1.3% to 3.8% in 2015 and 2014, respectively. Interest income under 'Other income' from short-term investments amounted to ₱0.3 million in 2015 and 2014. (Note 26).

8. Receivables from Members

This account consists of:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Project assistance receivable	₱4,353,289,656	₱3,915,329,980	₱4,346,860,674	₱3,914,929,275
Members assistance receivable	532,346,568	417,984,778	532,346,568	417,984,778
	4,885,636,224	4,333,314,758	4,879,207,242	4,332,914,053
Allowance for credit losses (Note 17)	(142,680,183)	(141,347,965)	(142,551,603)	(141,334,132)
	₱4,742,956,041	₱4,191,966,793	₱4,736,655,639	₱4,191,579,921

Project assistance receivable and member assistance receivable earn annual effective administrative fee of 32.8% to 58.8% in 2015 and 2014, respectively.



As at December 31, 2015 and 2014, project assistance receivables with carrying value of ₱1.7 billion and ₱1.3 billion, respectively, were used as collateral for interest-bearing borrowings (Note 19).

Receivables from members granted to members are partially secured by 'Due to members' amounting to ₱2.3 billion and ₱2.0 billion as at December 31, 2015 and 2014, respectively (Note 18).

Receivables from members include past due receivables, which is primarily from the receivables of the Parent Company, amounting to ₱36.0 million and ₱37.2 million as at December 31, 2015 and 2014, respectively.

9. Finance and Lease Receivables

This account consists of:

	2015	2014
Lease contracts receivable:		
Finance lease receivable	₱20,533,318	₱27,342,102
Unearned lease income	(2,621,357)	(3,865,653)
	17,911,961	23,476,449
<hr/>		
(Forward)		
Loans receivable:		
Loans receivable	7,215,407	15,477,828
Unearned interest income	-	(107,631)
	7,215,407	15,370,197
	25,127,368	38,846,646
Allowance for credit losses (Note 17)	(5,421,113)	(4,320,166)
	₱19,706,255	₱34,526,480

Loans receivables pertain to restructured loans of RISE to a bank and a foundation with interest rates ranging from 11.7% to 18.0% in 2015 and from 12.0% to 12.2% in 2014 on outstanding balance, and are payable in five years.

Finance lease receivables pertain to finance lease of computer and other equipment. Lease receivables are due in monthly installments with terms ranging from less than one year to five years.

Loans receivables have effective interest rates ranging from 11.7% to 18.0% in 2015 and from 12.0% to 12.2% in 2014 while finance lease receivables bear effective interest rates ranging from 14.6% to 23.0% in 2015 and from 13.6% to 18.6% in 2014.



An analysis of the finance lease receivables as at December 31, 2015 and 2014 is presented as follows:

	2015		Total
	Not later than one year	Later than one year and less than five years	
Minimum lease payments	₱12,253,182	₱5,155,910	₱17,409,092
Residual value of leased assets	2,552,815	571,411	3,124,226
Gross investment in finance lease receivables	14,805,997	5,727,321	20,533,318
Unearned lease income	(1,794,579)	(826,778)	(2,621,357)
	13,011,418	4,900,543	17,911,961
Allowance for credit losses	(256,604)	(26,549)	(283,153)
Net investment in finance lease receivables	₱12,754,814	₱4,873,994	₱17,628,808

	2014		Total
	Not later than one year	Later than one year and less than five years	
Minimum lease payments	₱17,586,446	₱6,048,810	₱23,635,256
Residual value of leased assets	2,118,480	1,588,366	3,706,846
Gross investment in finance lease receivables	19,704,926	7,637,176	27,342,102
Unearned lease income	(3,098,204)	(767,449)	(3,865,653)
	16,606,722	6,869,727	23,476,449
Allowance for credit losses	(887,308)	(225,895)	(1,113,203)
Net investment in finance lease receivables	₱15,719,414	₱6,643,832	₱22,363,246

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

The breakdown of interest income on finance lease and loans receivables of RISE in 2015 and 2014 follows (Note 26):

	2015	2014
Finance lease receivables	₱3,651,144	₱2,957,694
Loans receivables	240,369	707,012
	₱3,891,513	₱3,664,706

10. Due from Affiliates

This account consists of:

	Consolidated		Parent Company	
	2015	2014	2015	2014
CARD Mutual Benefit Association (MBA), Inc.	₱2,470,621	₱5,103,918	₱2,470,621	₱5,103,918
CARD Business Development Service Foundation (BDSF), Inc.	1,344,158	3,852,350	1,344,158	3,852,350
CARD Employee Multi-Purpose Cooperative (EMPC), Inc.	46,733	60,695	46,733	60,695

(Forward)



	Consolidated		Parent Company	
	2015	2014	2015	2014
CARD Bank, Inc. (CARD Bank)	₱43,586	₱146,560	₱43,586	₱146,560
CARD MRI Development Institute (CMDI), Inc.	28,770	32,176	28,770	32,176
CARD SME Bank, Inc. (CARD SME Bank)	21,136	3,293	21,136	3,293
CARD Leasing and Finance Corporation (CLFC)	18,319	43,266	18,319	43,266
CARD MRI Information Technology (CMIT), Inc.	8,088	–	8,088	–
BotiCARD, Inc.	500	–	500	–
Mga Likha ni Inay (MLNI), Inc.	268	–	268	–
CARD MRI Insurance Agency (CAMIA), Inc.	84	4,065	84	4,065
Rizal Bank, Inc. (RBI)	–	376	–	376
RISE	–	–	3,218	–
Total	₱3,982,263	₱9,246,699	₱3,985,481	₱9,246,699

CARD BDSF, CMIT, CARD EMPC, CARD MBA, CARD SME Bank, CARD Bank, BotiCARD, CMDI, CAMIA, RBI, CLFC, RISE and MLNI are all members of CARD-MRI group. These entities are considered related parties (subsidiary, associates and other related parties) as they are operationally linked in influencing economic decisions (Note 28).

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

Due from CARD BDSF includes an unsecured loan amounting to ₱10.0 million granted in 2011 for CARD BDSF's expansion program and working capital requirements. The loans are payable within a period of five years and earn an annual interest based on market lending rate. As at December 31, 2015 and 2014, receivable from CARD BDSF amounted to ₱1.3 million and ₱3.7 million, respectively. Interest income under 'Other income' earned from this loan amounted to ₱0.1 million and ₱1.0 million in 2015 and 2014, respectively (Note 26).

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

11. Other Receivables

This account consists of:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Accrued administrative fee receivable	₱70,385,881	₱42,788,003	₱69,931,121	₱42,788,003
Receivable from:				
Others	23,841,853	7,330,354	23,818,023	7,255,480
Other microfinance institutions	15,768,503	8,855,819	15,768,503	8,855,819
Officers and employees	9,832,237	10,152,884	9,830,277	10,150,564
Accrued interest receivable	564,324	322,059	356,930	261,711
	120,392,798	69,449,119	119,704,854	69,311,577
Allowance for credit losses (Note 17)	(11,119,539)	(7,533,277)	(11,099,644)	(7,533,277)
	₱109,273,259	₱61,915,842	₱108,605,210	₱61,778,300



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

Others include billings made to international partners for technical assistance provided and shared expenses paid by the Parent Company on behalf of these entities.

Interest income under 'Other income' earned from the interest-bearing receivables amounted to ₱1.3 million and ₱2.0 million in 2015 and 2014, respectively (Note 26).

12. Available-for-Sale Investments

As at December 31, 2015 and 2014, AFS investments amounted to ₱16.3 million and ₱14.6 million, respectively. This account represents investments in unquoted equity securities in a hospital, rural bank and in microfinance entities.

Dividend income from AFS investments amounted to ₱0.3 million and ₱3.3 million for the years ended December 31, 2015 and 2014, respectively (Note 26).

13. Investments in Subsidiaries and Associates

This account consists of the following investments:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Acquisition cost				
Subsidiary:				
RISE – 61.9% owned in 2015 and 2014	₱–	₱–	₱23,986,258	₱23,987,258
CMCL – 98.7% and 96.0% owned in 2015 and 2014, respectively	–	–	6,964,880	2,236,000
Associates:				
CARD SME Bank – 33.8% owned in 2015 and 2014	166,738,801	166,738,801	166,738,801	166,738,801
CARD Bank – 29.5% owned in 2015 and in 2014	94,170,000	79,615,900	94,170,000	79,615,900
RBI – 40.0% owned in 2015 and in 2014	67,750,000	23,750,000	67,750,000	23,750,000
CMIT – 30.0% owned in 2015 and 2014	29,999,800	30,039,900	29,999,800	30,039,900
CLFC – 19.0% and 21.0% owned in 2015 and 2014, respectively	13,300,000	14,700,000	13,300,000	14,700,000
CAMIA – 36.6% owned in 2015 and 2014	6,478,500	3,481,000	6,478,500	3,481,000
BotiCARD – 15.0% and 11.5% owned in 2015 and 2014, respectively	3,500,000	1,500,000	3,500,000	1,500,000
	381,937,101	319,825,601	412,888,239	346,048,859

(Forward)



	Consolidated		Parent Company	
	2015	2014	2015	2014
Accumulated equity in net earnings:				
Balance at beginning of year	₱301,469,809	₱215,562,742	₱300,735,898	₱216,651,194
Share in net income of associates and subsidiaries for the year	250,915,696	140,773,538	247,096,847	138,951,175
Dividends received	(82,338,345)	(54,866,471)	(82,338,345)	(54,866,471)
	470,047,160	301,469,809	465,494,400	300,735,898
Accumulated equity in other comprehensive income:				
Balance at beginning of year	12,824,159	(70,784,941)	12,824,159	(70,784,941)
Share in comprehensive income of associates and subsidiaries for the year	(12,394,269)	83,609,100	(13,324,676)	83,609,100
	429,890	12,824,159	(500,517)	12,824,159
	₱852,414,151	₱634,119,569	₱877,882,122	₱659,608,916

In 2012, the Parent Company has investment in RISE amounting to ₱13.7 million which represents 32.6% ownership. At that time, this investment was accounted for in accordance with PAS 28, *Investment in Associates and Joint Ventures*. On May 14, 2013, the Parent Company and Ad Jesum Development Foundation (AJDF), Inc. executed a dation of payment, wherein AJDF transferred 3,430 common shares of RISE to the Parent Company. The transfer led to 61.9% ownership interest of the Parent Company to RISE, thus the change in the Parent Company's economic interest in RISE from significant influence to control, which was accounted for in accordance with PFRS 3, *Business Combination*.

In 2014, the Parent Company acquired common shares in CMCL amounting to ₱2.2 million which represents 96.0% ownership, thereby obtaining control over CMCL. The acquisition was accounted for in accordance with PFRS 3. On April 30, 2015 and July 1, 2015, the Parent Company acquired additional common shares amounting to ₱4.5 million that increased ownership to 98.7% interest to CMCL.

CARD SME Bank, Inc. is a thrift bank which offers working capital financing to businesses engaged in agricultural services, industry and housing and provides diversified financial and allied services for its chosen market and constituents especially for small and medium enterprises, microfinance and individuals. As at December 31, 2015, the CARD SME Bank has existing fifteen branches.

In 2013, the Parent Company sold its 290,660 shares of CARD SME Bank of the total outstanding capital stock of the CARD SME Bank for a consideration of ₱30.3 million. The Parent Company recorded a loss on sale from the transaction amounting to ₱0.5 million. The sale resulted to decrease in ownership from 39.6% to 33.8%.

CARD Bank, Inc. (A Microfinance-Oriented Rural Bank) is currently engaged in extending microcredit and rural credit to small farmers and tenants and to deserving rural industries or enterprises. CARD Bank offers a wide range of products and services such as deposit products, loans, and treasury that serve mainly to the consumer market.

CMIT. was created primarily to provide CARD-MRI's major information technology services. As a major service offered to its sister institutions, data migration has become the expertise of CMIT.

CAMIA primarily engages in the business of selling insurance and other related services, life or



nonlife insurance.

BotiCARD, Inc. is a stock corporation created primarily to become CARD-MRI's distributor of medicine and related merchandise. Despite the Group's ownership of less than 20.0%, BotiCARD was considered as an associate since the Group demonstrated influence in its economic decisions.

RBI was established primarily to engage in the business of rural banking as defined and authorized under Republic Act No. 3779, As amended, such as granting loans to small farmers and to deserving rural enterprises, as well as receiving deposits in accordance with the regulations promulgated by the Monetary Board.

CLFC was incorporated to extend credit facilities to consumer and industrial, commercial or agricultural enterprises by direct lending, or by discounting or factoring commercial papers or account receivables or by buying and selling contracts without quasi-banking activities. Despite the Group's ownership of less than 20.0%, CLFC was considered as an associate since the Group demonstrated influence in its economic decisions.

Except for CARD SME Bank and RBI, the principal place of business of associates is in M. L. Quezon Street, City Subdivision, San Pablo City, Laguna. CARD SME Bank's principal place of business is located at Insular Bldg, Rizal Avenue, San Pablo City, Laguna. RBI's principal place of business is at P. Guevarra St., Cor. Aguirre St., Brgy. Poblacion 2, Sta. Cruz, Laguna.

The breakdown of dividends from associates is shown below:

	Parent Company	
	2015	2014
CARD Bank	₱36,953,055	₱41,240,938
CARD SME Bank	33,812,780	9,826,953
RBI	8,320,000	–
CAMIA	1,808,850	1,044,600
CMIT	855,660	2,206,980
CLFC	588,000	441,000
BotiCARD	–	106,000
Total	₱82,338,345	₱54,866,471



The following tables present the summarized financial information of associates as at and for the years ended December 31, 2015 and 2014:

	December 31, 2015						
	CARD SME Bank	CARD Bank	CMIT	CAMIA	BotiCARD	RBI	CLFC
Statement of assets, liabilities and fund balance							
Current assets	₱2,178,582,767	₱7,108,512,219	₱65,361,389	₱145,971,629	₱30,884,554	₱997,706,854	₱47,453,622
Noncurrent assets	204,436,224	928,292,435	47,754,181	25,943,581	2,431,839	83,272,850	171,520,421
Current liabilities	1,774,060,510	5,518,505,725	8,459,395	142,140,080	7,301,990	850,922,746	51,288,929
Noncurrent liabilities	71,301,615	930,572,240	9,142,233	169,375	3,230,479	21,755,689	109,675,420
Statement of revenue over expenses							
Gross income	730,886,328	2,454,285,995	93,821,798	51,641,754	27,549,704	310,425,681	78,940,342
Operating income	703,628,905	2,344,657,507	22,553,240	13,499,089	996,326	288,479,231	10,246,596
Net income	152,778,271	516,549,341	15,960,900	9,508,092	1,079,782	92,741,559	7,530,839
Statement of comprehensive income							
Other comprehensive income (loss)	(58,987,944)	(9,742,074)	(6,108,766)	727,769	(4,022,613)	(24,355,185)	(1,082,558)
Total comprehensive income	93,790,327	507,115,993	9,852,134	10,235,861	(2,942,831)	68,386,374	6,448,281
	December 31, 2014						
	CARD SME Bank	CARD Bank	CMIT	CAMIA	BotiCARD	RBI	CLFC
Statement of assets, liabilities and fund balance							
Current assets	₱1,546,277,111	₱5,137,018,286	₱70,798,638	₱177,683,023	₱24,088,573	₱582,525,974	₱34,691,555
Noncurrent assets	155,821,880	982,168,601	10,556,959	20,103,803	1,320,120	47,361,997	101,697,150
Current liabilities	1,228,626,289	4,280,840,922	7,586,188	173,884,061	3,517,332	499,516,308	33,439,428
Noncurrent liabilities	41,255,248	881,954,896	1,171,468	2,250,778	12,596,774	–	58,061,063
Statement of revenue over expenses							
Gross income	549,329,829	1,985,482,841	69,625,587	29,544,529	51,878,748	148,038,570	11,566,598
Operating income	553,905,548	2,009,491,294	71,528,675	30,349,236	52,154,215	148,153,637	44,788,334
Net income	102,151,859	232,136,555	12,467,209	6,890,165	1,680,022	33,756,153	6,795,932
Statement of comprehensive income							
Other comprehensive income (loss)	(25,110,691)	(171,102,282)	5,693,231	(761,673)	–	9,412,020	1,378,289
Total comprehensive income	77,041,168	61,034,273	18,160,440	6,128,492	1,680,022	43,168,173	8,174,221



14. Property and Equipment

The composition of and movements in this account follow:

	Consolidated				Total
	Land	Building and Improvements	Transportation Equipment	Furniture and Equipment	
2015					
Cost					
Balance at beginning of year	₱51,449,673	₱67,565,396	₱66,690,094	₱89,853,353	₱275,558,516
Additions	710,000	768,095	771,247	17,902,381	20,151,723
Disposals	(176,150)	–	(1,966,835)	(2,352,740)	(4,495,725)
Balance at end of year	51,983,523	68,333,491	65,494,506	105,402,994	291,214,514
Accumulated Depreciation and Amortization					
Balance at beginning of year	–	41,597,372	61,343,846	73,951,974	176,893,192
Depreciation and amortization	–	5,858,471	5,011,073	10,488,065	21,357,609
Disposals	–	–	(1,966,835)	(2,347,329)	(4,314,164)
Transfers	–	–	305,030	4,359	309,389
Balance at end of year	–	47,455,843	64,693,114	82,097,069	194,246,026
Net Book Value	₱51,983,523	₱20,877,648	₱801,392	₱23,305,925	₱96,968,488

	Consolidated				Total
	Land	Building and Improvements	Transportation Equipment	Furniture and Equipment	
2014					
Cost					
Balance at beginning of year	₱48,059,673	₱64,649,752	₱77,919,481	₱84,979,829	₱275,608,735
Additions	8,190,000	127,144	15,600	12,432,267	20,765,011
Disposals/Transfers (Note 15)	(4,800,000)	2,788,500	(11,244,987)	(7,558,743)	(20,815,230)
Balance at end of year	51,449,673	67,565,396	66,690,094	89,853,353	275,558,516
Accumulated Depreciation and Amortization					
Balance at beginning of year	–	33,281,398	61,542,341	72,002,706	166,826,445
Depreciation and amortization	–	6,576,257	10,713,165	9,264,067	26,553,489
Disposals	–	–	(10,911,660)	(7,314,799)	(18,226,459)
Transfers (Note 15)	–	1,739,717	–	–	1,739,717
Balance at end of year	–	41,597,372	61,343,846	73,951,974	176,893,192
Net Book Value	₱51,449,673	₱25,968,024	₱5,346,248	₱15,901,379	₱98,665,324

	Parent Company				Total
	Land	Building and Improvements	Transportation Equipment	Furniture and Equipment	
2015					
Cost					
Balance at beginning of year	₱51,449,673	₱64,776,896	₱65,791,075	₱89,008,538	₱271,026,182
Additions	710,000	768,095	771,247	17,732,690	20,151,721
Disposals	(176,150)	–	(1,966,835)	(2,332,646)	(4,475,631)
Balance at end of year	51,983,523	65,544,991	64,595,487	104,408,582	286,532,583
Accumulated Depreciation and Amortization					
Balance at beginning of year	–	39,811,180	60,961,032	73,265,145	174,037,357
Depreciation and amortization	–	5,789,658	4,838,063	10,377,616	21,005,337
Disposals	–	–	(1,966,835)	(2,327,779)	(4,294,614)
Transfers	–	–	305,030	4,359	309,389
Balance at end of year	–	45,600,838	64,137,290	81,319,341	191,057,469
Net Book Value	₱51,983,523	₱19,944,153	₱458,197	₱23,089,241	₱95,475,114



	Parent Company				Total
	Land	Building and Improvements	Transportation Equipment	Furniture and Equipment	
2014					
Cost					
Balance at beginning of year	₱48,059,673	₱64,649,752	₱77,036,062	₱84,277,986	₱274,023,473
Additions	8,190,000	127,144	–	12,289,295	20,606,439
Disposals	(4,800,000)	–	(10,242,387)	(7,108,412)	(22,150,799)
Reclassification	–	–	(1,002,600)	(450,331)	(1,452,931)
Balance at end of year	51,449,673	64,776,896	65,791,075	89,008,538	271,026,182
Accumulated Depreciation and Amortization					
Balance at beginning of year	–	33,281,398	61,336,210	71,432,700	166,050,308
Depreciation and amortization	–	6,529,782	10,536,482	9,147,244	26,213,508
Disposals	–	–	(10,911,660)	(7,314,799)	(18,226,459)
Balance at end of year	–	39,811,180	60,961,032	73,265,145	174,037,357
Net Book Value	₱51,449,673	₱24,965,716	₱4,830,043	₱15,743,393	₱96,988,825

Land with carrying value of ₱9.5 million partially secures interest-bearing borrowings amounting to ₱12.5 million and ₱25.0 million as at December 31, 2015 and 2014, respectively (Note 19).

The Parent Company granted CMDI the usufruct over certain properties consisting of land and improvements for use as CMDI's office and training center (Note 28).

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

	Consolidated		Parent Company	
	2015	2014	2015	2014
Project related expenses (Note 23)	₱15,098,219	₱19,427,226	₱15,098,219	₱19,427,226
Health program	799,835	779,530	799,835	779,530
Research program	14,889	36,475	14,889	36,475
Scholarship program	–	11,267	–	11,267
Other expenses (Note 26)	5,444,666	6,364,059	5,092,394	5,959,010
	₱21,357,609	₱26,553,489	₱21,005,337	₱26,213,508

Disposal of property and equipment of the Group and the Parent Company resulted to ₱4,867 loss in 2015 and nil in 2014, which is included under 'Miscellaneous expense' in the statement of revenue over expenses (Note 26).

As at December 31, 2015 and 2014, the cost of fully-depreciated assets still in use by the Group amounted to ₱130.3 million and ₱85.6 million, respectively.

As at December 31, 2015 and 2014, the cost of fully-depreciated assets still in use in the Parent Company's operations amounted to ₱129.6 million and ₱85.1 million, respectively.



15. Investment Properties

The composition of and movements in this account follow:

	Consolidated		
	2015		
	Land	Building and Improvements	Total
Cost			
Balance at beginning of the year	₱24,661,577	₱51,014,491	₱75,676,068
Additions	18,242,214	261,883	18,504,097
Balance at end of year	42,903,791	51,276,374	94,180,165
Accumulated Depreciation and Amortization			
Balance at beginning of year	–	37,618,019	37,618,019
Depreciation and amortization	–	2,579,641	2,579,641
Balance at end of year	–	40,197,660	40,197,660
Allowance for impairment losses (Note 17)	(5,022,589)	–	(5,022,589)
Net Book Value	₱37,881,202	₱11,078,714	₱48,959,916

	Consolidated			Total
	2014			
	Land	Building and Improvements	Condominium	
Cost				
Balance at beginning of the year	₱24,383,688	₱47,308,492	₱2,788,500	₱74,480,680
Reclassifications	980,000	3,705,999	(2,788,500)	1,897,499
Disposals	(702,111)	–	–	(702,111)
Balance at end of year	24,661,577	51,014,491	–	75,676,068
Accumulated Depreciation and Amortization				
Balance at beginning of year	–	33,444,185	1,674,650	35,118,835
Depreciation	–	4,173,834	–	4,173,834
Transfers	–	–	(1,674,650)	(1,674,650)
Balance at end of year	–	37,618,019	–	37,618,019
Allowance for impairment losses (Note 18)	5,022,589	–	–	5,022,589
Net Book Value	₱19,638,988	₱13,396,473	₱–	₱33,035,461

In 2014, RISE reclassified investment property amounting to P2.8 million to property and equipment due to change in its use from a property for lease to a space used for RISE's operations.

	Parent Company		
	2015		
	Land	Building and Improvements	Total
Cost			
Balance at beginning of the year	₱19,332,507	₱51,014,491	₱70,346,998
Additions	5,500,000	261,883	5,761,883
Balance at end of year	24,832,507	51,276,374	76,108,881

(Forward)



Parent Company			
2015			
	Land	Building and Improvements	Total
Accumulated Depreciation			
Balance at beginning of year	₱-	₱37,618,019	₱37,618,019
Depreciation	-	2,579,641	2,579,641
Balance at end of year	-	40,197,660	40,197,660
Allowance for impairment losses			
(Note 17)	(5,022,589)	-	(5,022,589)
Net Book Value	₱19,809,918	₱11,078,714	₱30,888,632

Parent Company			
2014			
	Land	Building and Improvements	Total
Cost			
Balance at beginning of the year	₱18,352,507	₱47,308,492	₱65,660,999
Additions	980,000	50,355	1,030,355
Reclassification	-	3,655,644	3,655,644
Balance at end of year	19,332,507	51,014,491	70,346,998
Accumulated Depreciation			
Balance at beginning of year	-	33,444,185	33,444,185
Depreciation	-	4,173,834	4,173,834
Balance at end of year	-	37,618,019	37,618,019
Allowance for impairment losses			
(Note 17)	(5,022,589)	-	(5,022,589)
Net Book Value	₱14,309,918	₱13,396,472	₱27,706,390

The Parent Company leased properties to CARD Bank, CARD MBA, CARD BDSF, CMIT, CARD SME Bank, CMDI, CLFC and BotiCARD. Rent income from investment properties included in 'Other income' in the statements of revenue over expenses amounted to ₱5.7 million and ₱5.4 million in 2015 and 2014, respectively (Note 26). Direct operating expenses on investment properties that generated rental income in 2015 and 2014 included under 'Depreciation and amortization', 'Taxes and licenses' and 'Insurance expense' amounted to ₱3.3 million and ₱4.7 million in 2015 and 2014, respectively.

Depreciation on investment properties amounted to ₱2.6 million and ₱4.2 million for 2015 and 2014, respectively which was included under 'Other expenses' in the 'Other administrative expenses' in the statements of revenue over expenses (Note 26).



16. Other Assets

This account consists of:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Financial assets				
Restricted funds	₱–	₱15,992,378	₱–	₱15,992,378
Others	11,270,879	7,999,880	11,269,879	7,998,880
	11,270,879	23,992,258	11,269,879	23,991,258
Nonfinancial assets				
Prepaid expenses	31,870,028	16,893,279	31,479,680	16,692,654
Prepaid subscription (Note 28)	–	23,613,000	–	23,613,000
Supplies on hand	12,868	30,140	3,870	–
Others	3,708,768	3,708,768	3,708,768	3,708,768
	35,591,664	44,245,187	35,192,318	44,014,422
	46,862,543	68,237,445	46,462,197	68,005,680
Allowance for impairment losses (Note 17)	(504,864)	(630,010)	(504,864)	(630,010)
	₱46,357,679	₱67,607,435	₱45,957,333	₱67,375,670

Others represent loans lent by the Parent Company to SAMIC Limited to assist the latter in providing financial services to micro-entrepreneurs in Cambodia and to MEADA Rabrong Plc amounting to \$100,000 to assist in purchasing building to serve as its office. This also includes a revolving fund obtained from German Savings Bank, which was restrictedly held by the Parent Company for CARD Bank's operational use.

In 2015, the Parent Company reclassified restricted fund obtained from German Savings Bank into cash in bank since the probability that German Savings Bank will retrieve the fund is remote. Interest income earned in 2014 for the restricted fund amounted to ₱0.2 million (Note 26).

Other nonfinancial assets include advances to contractors.

17. Allowance for Credit and Impairment Losses

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

	Consolidated							
	2015							
	Receivables from Members (Note 8)			Finance and Lease receivables (Note 9)	Other Receivables (Note 11)	Investment Properties (Note 15)	Other Assets (Note 16)	Total
Project Assistance Receivable	Member Assistance Receivable	Total						
Balance at beginning	₱121,391,369	₱19,956,596	₱141,347,965	₱4,320,166	₱7,533,277	₱5,022,589	₱630,010	₱158,854,007
Provision for credit and impairment losses	10,540,914	1,073,058	11,613,972	1,873,540	4,028,561	–	–	17,516,073
Accounts written-off	(9,886,446)	(395,308)	(10,281,754)	(772,593)	(442,299)	–	(125,146)	(11,621,792)
Balance at end of year	₱122,045,837	₱20,634,346	₱142,680,183	₱5,421,113	₱11,119,539	₱5,022,589	₱504,864	₱164,748,288
Individual impairment	₱28,321,956	₱3,468,502	₱31,790,458	₱4,445,478	₱11,119,539	₱5,022,589	₱504,864	₱52,882,928
Collective impairment	93,723,881	17,165,844	110,889,725	975,635	–	–	–	111,865,360
	₱122,045,837	₱20,634,346	₱142,680,183	₱5,421,113	₱11,119,539	₱5,022,589	₱504,864	₱164,748,288
Gross amounts of loans and receivables individually determined to be impaired, before deducting any individually assessed impairment losses	₱28,321,956	₱3,468,502	₱31,790,458	₱4,445,478	₱11,119,539			



Consolidated								
2014								
Receivables from Members (Note 8)								
	Project Assistance Receivable	Member Assistance Receivable	Total	Finance and Lease receivables (Note 9)	Other Receivables (Note 11)	Investment Properties (Note 15)	Other Assets (Note 16)	Total
Balance at beginning	₱128,488,842	₱19,771,624	₱148,260,466	₱555,986	₱6,350,195	₱5,022,589	₱2,247,128	₱162,436,364
Provision for credit and impairment losses	9,033,786	1,515,739	10,549,525	3,764,180	1,183,082	–	242,212	15,738,999
Accounts written-off	(16,131,259)	(1,330,767)	(17,462,026)	–	–	–	(1,859,330)	(19,321,356)
Balance at end of year	₱121,391,369	₱19,956,596	₱141,347,965	₱4,320,166	₱7,533,277	₱5,022,589	₱630,010	₱158,854,007
Individual impairment	₱33,792,582	₱3,425,066	₱37,217,648	₱4,047,869	₱7,533,277	₱5,022,589	₱630,010	₱54,451,393
Collective impairment	87,598,787	16,531,530	104,130,317	272,297	–	–	–	104,402,614
	₱121,391,369	₱19,956,596	₱141,347,965	₱4,320,166	₱7,533,277	₱5,022,589	₱630,010	₱158,854,007
Gross amounts of loans and receivables individually determined to be impaired, before deducting any individually assessed impairment losses	₱33,792,582	₱3,425,066	₱37,217,648	₱4,047,869	₱7,533,277			

Parent Company							
2015							
Receivables from Members (Note 8)							
	Project Assistance Receivable	Member Assistance Receivable	Total	Other Receivables (Note 11)	Investment Properties (Note 15)	Other Assets (Note 16)	Total
Balance at beginning	₱121,377,536	₱19,956,596	₱141,334,132	₱7,533,277	₱5,022,589	₱630,010	₱154,520,008
Provision for credit losses and impairment losses	10,426,167	1,073,058	11,499,225	4,008,666	–	–	15,507,891
Accounts written-off	(9,682,645)	(599,109)	(10,281,754)	(442,299)	–	(125,146)	(10,849,199)
Balance at end of year	₱122,121,058	₱20,430,545	₱142,551,603	₱11,099,644	₱5,022,589	₱504,864	₱159,178,700
Individual impairment	₱28,321,957	₱3,468,502	₱31,790,458	₱11,099,644	₱5,022,589	₱504,864	₱48,417,555
Collective impairment	93,799,101	16,962,043	110,761,145	–	–	–	110,761,145
	₱122,121,058	₱20,430,545	₱142,551,603	₱11,099,644	₱5,022,589	₱504,864	₱159,178,700
Gross amounts of loans and receivables individually determined to be impaired, before deducting any individually assessed impairment losses	₱28,321,957	₱3,468,502	₱31,790,458	₱11,099,644			

2014							
Receivables from Members (Note 8)							
	Project Assistance Receivable	Member Assistance Receivable	Total	Other Receivables (Note 11)	Investment Properties (Note 15)	Other Assets (Note 16)	Total
Balance at beginning	₱128,488,842	₱19,771,624	₱148,260,466	₱6,350,195	₱5,022,589	₱2,247,128	₱161,880,378
Provision for credit losses and impairment losses	9,019,953	1,515,739	10,535,692	1,183,082	–	242,212	11,960,986
Accounts written-off	(16,131,259)	(1,330,767)	(17,462,026)	–	–	(1,859,330)	(19,321,356)
Balance at end of year	₱121,377,536	₱19,956,596	₱141,334,132	₱7,533,277	₱5,022,589	₱630,010	₱154,520,008
Individual impairment	₱33,792,582	₱3,425,066	₱37,217,648	₱7,533,277	₱5,022,589	₱630,010	₱50,403,524
Collective impairment	87,584,954	16,531,530	104,116,484	–	–	–	104,116,484
	₱121,377,536	₱19,956,596	₱141,334,132	₱7,533,277	₱5,022,589	₱630,010	₱154,520,008
Gross amounts of loans and receivables individually determined to be impaired, before deducting any individually assessed impairment losses	₱33,792,582	₱3,425,066	₱37,217,648	₱7,533,277			



In 2015, the Group recognized provisions for probable losses amounting to ₱0.75 million (presented under ‘Provision for credit and impairment losses’ in the statements of comprehensive income). No specific disclosures on such provisions are made because any such specific disclosures would prejudice the Company’s position with the other parties with whom it is in dispute. Such exemption from disclosures is allowed under PAS 27, *Provisions, Contingent Liabilities and Contingent Assets*.

Summary of allowance for credit and impairment losses follows:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Receivable from members	₱11,613,972	₱10,549,525	₱11,499,225	₱10,535,692
Finance and lease receivables	1,873,540	3,764,180	–	–
Other receivables	4,028,561	1,183,082	4,008,666	1,183,082
Investment properties	–	–	–	–
Other assets	–	242,212	–	242,212
Others	750,974	–	–	–
Total	₱18,267,047	₱15,738,999	₱15,507,891	₱11,960,986

18. Due to Members

Due to members represents the 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 2015 and 2014.

Administrative fee expenses related to ‘Due to Members’ amounted to ₱42.4 million and ₱36.4 million in 2015 and 2014, respectively. These expenses are recorded as deduction to ‘Administrative fee’ income in the statements of revenue over expenses.

19. Borrowings

This account consists of borrowings from financing institutions, which are subject to certain terms and conditions bearing annual interest rates ranging from 1.0% to 9.6% in 2015 and 2014, respectively, and are payable in annual, lump-sum and quarterly installments until 2019.

As at December 31, 2015 and 2014, borrowings amounting to ₱1.7 billion and ₱1.3 billion were reported net of unamortized debt issue cost amounting to ₱0.3 million and ₱2.2 million, respectively. Financing obtained from creditors are used to fund the Group’s project assistance receivable.

Total borrowings are secured by project assistance receivable amounting to ₱1.7 billion and ₱1.1 billion as at December 31, 2015 and 2014, respectively (Note 8), and land with carrying value of ₱9.5 million (Note 14).



The Group has available credit line on various financial institutions amounting to ₱1.0 billion and ₱216.4 million as at December 31, 2015 and 2014, respectively.

Interest expense on borrowings (included under 'Project related expenses') amounted to ₱42.9 million and ₱64.2 million in 2015 and 2014, respectively (Note 23). Amortization of debt issue costs amounted to ₱1.8 million and ₱1.7 million in 2015 and 2014, respectively.

20. Accounts Payable and Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Financial liabilities				
Accrued expenses	₱191,835,778	₱167,577,288	₱191,345,269	₱167,136,533
CARD Community Scholarship Program	179,604,883	139,983,349	179,604,883	139,983,349
Subscription payable	31,419,000	61,136,200	31,419,000	61,136,200
Accounts payable	33,261,376	25,602,176	28,966,660	23,101,929
Due to affiliates (Note 28)	6,577,019	20,323,764	6,575,211	20,323,764
Accrued interest	3,943,534	5,541,568	3,916,867	5,478,235
Funds held in trust	12,262,570	4,619,388	12,262,570	4,619,388
	458,904,160	424,783,733	454,090,460	421,779,398
Nonfinancial liabilities				
Withholding tax payable	₱4,622,984	₱6,558,692	₱4,582,253	₱6,551,467
Income tax payable	160,679	556,452	160,679	556,452
Others	867,301	106,745	90,545	63,027
	5,650,964	7,221,889	4,833,477	7,170,946
	₱464,555,124	₱432,005,622	₱458,923,937	₱428,950,344

Accounts payable includes claims of resigned staffs on their basic pay and billings from suppliers and contractors.

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

CARD Community Scholarship Program pertains to accruals of educational support to the Parent Company's members' children

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.



21. Maturity Analysis of Assets and Liabilities

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

	Consolidated					
	2015			2014		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Assets						
Cash and cash equivalents	₱880,589	₱-	₱880,589	₱724,747	₱-	₱724,747
Short-term investments	335,224	-	335,224	100,000	-	100,000
Receivables	5,020,932	14,207	5,035,139	4,432,145	18,712	4,450,857
AFS investments	-	16,324	16,324	-	14,603	14,603
Other assets	-	11,271	11,271	7,999	15,992	23,991
Nonfinancial Assets						
Investment in subsidiary and associates	-	852,414	852,414	-	634,120	634,120
Property and equipment	-	291,215	291,215	-	275,559	275,559
Investment properties	-	94,180	94,180	-	75,676	75,676
Retirement asset	-	107,102	107,102	-	5,787	5,787
Other assets	-	35,591	35,591	-	44,245	44,245
	<u>6,236,745</u>	<u>1,422,304</u>	<u>7,659,049</u>	<u>5,264,891</u>	<u>1,084,694</u>	<u>6,349,585</u>
Allowance for impairment and credit losses			(164,748)			(158,854)
Accumulated depreciation			(234,444)			(214,511)
Total Assets			<u>₱7,259,857</u>			<u>₱5,976,220</u>
Financial Liabilities						
Due to members	₱2,272,900	₱-	₱2,272,900	₱1,967,803	₱-	₱1,967,803
Borrowings	1,568,737	145,500	1,714,237	1,182,642	134,316	1,316,958
Accounts payable and accrued expenses	336,594	122,310	458,904	270,750	154,034	424,784
Nonfinancial Liabilities						
Accounts payable and accrued expenses	5,651	-	5,651	7,222	-	7,222
Retirement liability	-	1,060	1,060	-	-	-
Deferred tax liability	-	158	158	-	178	178
Total Liabilities	<u>₱4,183,882</u>	<u>₱269,028</u>	<u>₱4,452,910</u>	<u>₱3,428,417</u>	<u>₱288,528</u>	<u>₱3,716,945</u>
	Parent Company					
	2015			2014		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Assets						
Cash and cash equivalents	₱875,658	₱-	₱875,658	₱720,057	₱-	₱720,057
Short-term investments	335,224	-	335,224	100,000	-	100,000
Receivables	4,996,967	5,931	5,002,898	4,402,968	8,504	4,411,472
AFS investments	-	16,324	16,324	-	14,603	14,603
Other assets	-	11,270	11,270	7,999	15,992	23,991
Nonfinancial Assets						
Investment in subsidiary and associates	-	877,882	877,882	-	659,609	659,195
Property and equipment	-	286,533	286,533	-	271,026	271,026
Investment properties	-	76,109	76,109	-	70,347	70,347
Retirement asset	-	107,102	107,102	-	5,891	5,891
Other assets	-	35,191	35,191	-	44,015	44,015
	<u>6,207,849</u>	<u>1,416,342</u>	<u>7,624,191</u>	<u>5,231,024</u>	<u>1,089,987</u>	<u>6,320,597</u>
Allowance for impairment and credit losses			(159,179)			(154,520)
Accumulated depreciation			(231,255)			(211,655)
Total Assets			<u>₱7,233,757</u>			<u>₱5,954,422</u>

(Forward)



	Parent Company					
	2015			2014		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Liabilities						
Accounts payable and accrued expenses	₱331,780	₱122,310	₱454,090	₱269,508	₱152,272	₱421,780
Due to members	2,271,838	-	2,271,838	1,967,803	-	1,967,803
Borrowings	1,566,237	145,500	1,711,737	1,182,642	129,316	1,311,958
Nonfinancial Liabilities						
Accounts payable and accrued expenses	4,834		4,834	7,171	-	7,171
Total Liabilities	₱4,174,689	₱267,810	₱4,442,499	₱3,427,124	₱281,588	₱3,708,712

22. Retirement Plan

The Parent Company, CARD Bank, CARD MBA, CARD SME Bank, CAMIA, CARD BDSF, CMIT, BotiCARD, CMDI, MLNI, RBI, CLFC, RISE and EMPC maintain a funded and formal noncontributory defined benefit retirement plan - the CARD MRI Multi-Employer Retirement Plan (the Plan) - covering all of their regular employees. The Plan has a projected unit cost format and is financed solely by the Group and its related parties. The Plan complies with the requirement of Republic Act No. 7641 (The Philippine Retirement Law). The Plan provides lump sum benefits equivalent to 120.0% of final salary for every year of credited service, a fraction of at least six (6) months being considered as one whole year upon retirement, death, total and permanent disability, or early retirement after completion of at least one year of service with the participating companies. In 2014, RISE has joined the Plan.



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

	Consolidated												
	2015												
	Net benefit cost in the statement of revenue over expenses						Remeasurements in other comprehensive income						
	January 1, 2015	Current service cost	Net interest	Net pension expense*	Benefits paid	Transfer from (to) plan assets	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Changes in the effect of limiting net defined benefit to the asset ceiling	Subtotal	Contribution by employer	December 31, 2015
Present value of defined benefit obligation	₱307,009,353	₱41,455,190	₱13,696,935	₱55,152,125	(₱3,833,249)	(₱10,261,208)	₱-	₱21,517,204	(₱33,671,524)	₱-	(₱12,154,320)	₱-	335,859,770
Fair value of plan assets	(313,059,166)	-	(16,856,657)	(16,856,657)	3,833,249	10,261,208	8,075,907	-	-	-	8,075,907	(143,779,479)	(451,472,007)
Effects of asset ceiling	262,750	-	11,719	11,719	-	-	-	-	-	9,296,018	9,296,018	-	9,570,487
Net defined benefit liability (asset)	(₱5,787,063)	₱41,455,190	(₱3,148,003)	₱38,307,187	₱-	₱-	₱8,075,907	₱21,517,204	(₱33,671,524)	₱9,296,018	₱5,217,605	(₱143,779,479)	(₱106,041,750)

*Included in 'Salaries, wages and employee benefits' under 'Project related expenses' and 'Other expenses' in the statement of revenue over expenses

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

*Included in 'Salaries, wages and employee benefits' under 'Project related expenses' and 'Other expenses' in the statement of revenue over expenses



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

	Parent Company												
	2015						2015						
	Net benefit cost in the statement of revenue over expenses						Remeasurements in other comprehensive income						
	January 1, 2015	Current service cost	Net interest	Net pension expense*	Benefits paid	Transfer from (to) plan assets	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Changes in the effect of limiting net defined benefit to the asset ceiling	Subtotal	Contribution by employer	December 31, 2015
Present value of defined benefit obligation	₱306,630,544	₱41,376,953	₱13,675,722	₱55,052,675	(₱3,833,249)	(₱10,261,208)	₱-	₱21,033,150	(₱34,148,395)	₱-	(₱13,115,245)	₱-	₱334,473,517
Fair value of plan assets	(312,784,538)	-	(16,839,843)	(16,839,843)	3,833,249	10,261,208	8,059,094	-	-	-	8,059,094	(143,675,298)	(451,146,128)
Effects of asset ceiling	262,750	-	11,719	11,719	-	-	-	-	-	9,296,018	9,296,018	-	9,570,487
Net defined benefit liability (asset)	(5,891,244)	₱41,376,953	(₱3,152,402)	₱38,224,551	₱-	₱-	₱8,059,094	₱21,033,150	(₱34,148,395)	₱9,296,018	₱4,239,867	(₱143,675,298)	(₱107,102,124)

*Included in 'Salaries, wages and employee benefits' under 'Project related expenses' and 'Other expenses' in the statement of revenue over expenses

	Parent Company												
	2015						2015						
	Net benefit cost in the statement of revenue over expenses						Remeasurements in other comprehensive income						
	January 1, 2014	Current service cost	Net interest	Net pension expense*	Benefits paid	Transfer from (to) plan assets	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Changes in the effect of limiting net defined benefit to the asset ceiling	Subtotal	Contribution by employer	December 31, 2014
Present value of defined benefit obligation	₱615,616,077	₱111,716,524	₱39,276,306	₱150,992,830	(₱1,162,891)	(₱13,185,362)	₱-	(₱148,462,465)	(₱297,167,645)	₱-	(₱445,630,110)	₱-	₱306,630,544
Fair value of plan assets	(178,761,403)	-	(15,530,510)	(15,530,510)	1,162,891	13,185,362	10,834,420	-	-	-	10,834,420	(143,675,298)	(312,784,538)
Effects of asset ceiling	-	-	-	-	-	-	-	-	-	262,750	262,750	-	262,750
Net defined benefit liability (asset)	₱436,854,674	₱111,716,524	₱23,745,796	₱135,462,320	₱-	₱-	₱10,834,420	(₱148,462,465)	(₱297,167,645)	₱262,750	(₱434,532,940)	(₱143,675,298)	(₱5,891,244)

*Included in 'Salaries, wages and employee benefits' under 'Project related expenses' and 'Other expenses' in the statement of revenue over expenses



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

	Consolidated		Parent Company	
	2015	2014	2015	2014
Cash and cash equivalents	₱183,794,254	₱123,094,864	₱183,661,589	₱122,986,880
Investments:				
Debt securities	206,367,854	143,600,239	206,218,895	143,474,267
Mutual funds	3,521,482	2,942,757	3,518,940	2,940,175
Receivables	47,675,444	34,686,956	47,641,031	34,656,527
Others	10,112,973	8,734,350	10,105,673	8,726,689
Fair value of plan assets	₱451,472,007	₱313,059,166	₱451,146,128	₱312,784,538

All plan assets do not have quoted prices in the active market except government bonds. Cash and cash equivalents are with reputable financial institutions and related parties and are deemed to be standard grade, while mutual funds, receivables and other assets are unrated.

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

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

The latest actuarial valuation study of the retirement plan covers December 31, 2015. The principal assumptions used in determining pension for the defined benefit plan are shown below:

	Parent Company		RISE	
	2015	2014	2015	2014
Discount rate	4.9%	4.5%	5.5%	5.6%
Future salary increases	7.0%	7.0%	10.0%	7.0%

The average duration of the defined benefit retirement liability at the end of the reporting period ranges from 19.7 to 28.5 years for the Group and 28.5 years for the Parent Company.

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

	Consolidated			
	2015		2014	
	Increase of 1.0%	Decrease of 1.0%	Increase of 1.0%	Decrease of 1.0%
Discount rate	(₱141,771,612)	₱187,390,791	(₱65,515,527)	₱86,371,420
Salary rate	168,939,502	(132,911,434)	79,745,935	(62,558,859)



	Parent Company			
	2015		2014	
	Increase of 1.0%	Decrease of 1.0%	Increase of 1.0%	Decrease of 1.0%
Discount rate	(₱70,780,936)	₱92,953,785	(₱65,440,179)	₱86,274,607
Salary rate	86,167,508	(67,789,089)	79,655,672	(62,486,436)

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

	Consolidated		Parent Company	
		2014	2015	2014
Less than 1 year	₱-	₱1,840,482	₱-	₱1,840,482
More than 1 year to 5 years	6,858,826	7,482,212	6,858,826	7,482,212
More than 5 years to 10 years	25,529,203	21,614,923	22,731,993	21,614,923

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

23. Project Related Expenses

This account consists of:

	Parent Company	
	2015	2014
Salaries, wages and employee benefits (Note 22)	₱973,743,801	₱914,707,863
Transportation and travel	260,760,234	178,804,892
Staff training and development (Note 28)	127,218,128	74,487,618
Supplies and materials	101,438,949	85,575,197
Rental expenses (Note 27)	88,942,634	71,614,832
Interest expense (Note 19)	42,858,867	64,169,480
Information technology (Note 28)	35,947,795	34,259,181
Program monitoring and evaluation	34,913,258	29,840,614
Janitorial, messengerial and security	28,410,542	25,419,065
Client training and development	26,810,889	24,123,787
Utilities	25,102,658	22,167,582
Taxes and licenses	20,749,600	12,534,748
Provision for credit and impairment losses (Note 17)	15,507,891	10,535,692
Communication and postage	15,168,510	16,749,386
Depreciation and amortization (Note 14)	15,098,219	19,427,226
Seminars and meetings	12,076,349	7,536,380
Repairs and maintenance	11,125,299	12,176,825
Insurance expense	4,906,606	3,117,705
Others	28,286,317	28,320,594
	₱1,869,066,546	₱1,635,568,667

Other expenses include representation, periodicals and magazines, membership and dues, supervision and examination, management and other professional fees and miscellaneous expenses.



24. Income and Other Taxes

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

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

Income taxes include corporate income tax of 30.0% for RISE and 25.0% for CARD Myanmar, as discussed below, and final taxes paid at the rate of 20.0%, which is a final withholding tax on gross interest income from deposit substitutes. Interest expense allowed as deductible expense is reduced by 33.0% of interest income subject to final tax.

Current tax regulation also provides for the ceiling on the amount of 'Entertainment, amusement and recreation (EAR)' expense that can be claimed as a deduction against taxable income. Under the regulation, the EAR allowed as a deductible expense for a service company is limited to the actual EAR paid or incurred but not to exceed 1.0% of net revenue.

The Group's EAR expenses included under 'Other administrative expenses' in the statement of revenue over expenses in 2015 and 2014 amounted to ₱0.9 and ₱1.3 million, respectively. The Parent Company's EAR expenses included under 'Other administrative expenses' in the statement of revenue over expenses amounted to ₱0.8 million and ₱1.3 million in 2015 and 2014, respectively (Note 26).

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

	Consolidated	
	2015	2014
Statutory income tax	₱171,143,812	₱103,117,759
Income tax effects of:		
Income from tax exempt activities	(711,460,016)	(624,006,225)
Expenses form tax exempt activities	616,069,863	561,922,430
Nontaxable income	(76,947,148)	(42,059,910)
Nondeductible expenses	1,152,876	645,584
Change in unrecognized deferred tax asset	982,226	1,628,798
Interest income subject to final tax	(653)	(1,074)
Gain on sale subjected to capital gains tax	-	(116,412)
	₱940,960	₱1,130,950



	Parent Company	
	2015	2014
Statutory income tax	₱169,027,180	₱104,845,612
Income tax effects of:		
Income from tax exempt activities	(710,242,633)	(624,006,225)
Expenses from tax exempt activities	616,069,863	561,922,430
Nontaxable income	(74,129,054)	(41,685,353)
	₱725,356	₱1,076,464

As of December 31, 2015 and 2014, the Group recognized deferred tax liabilities amounting to ₱0.16 million on its gain on foreclosure of investment properties (Note 10).

25. Grants

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

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

	2015	2014
Balance at beginning	₱331,648,354	₱303,907,207
Grants/donations during the year	11,446,640	27,741,147
Balance at end of the year	₱343,094,994	₱331,648,354

26. Other Income and Other Administrative Expenses

Other income consists of:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Interest (Notes 6, 7, 10, 11 and 16)	₱7,713,901	₱8,350,818	₱7,707,373	₱8,350,818
Rent (Notes 15 and 27)	5,690,762	5,413,263	5,690,762	5,413,263
Interest income on loans and receivables (Note 9)	3,891,513	3,664,706	-	-
Gain on foreclosure of investment properties	525,924	-	-	-
Dividend income (Notes 12 and 28)	314,160	3,304,604	314,160	3,304,604
Gain on sale of investment properties	-	80,890	-	-
Miscellaneous	2,817,528	4,409,682	2,603,367	3,904,636
	₱20,953,788	₱25,223,963	₱16,315,662	₱20,973,321

Miscellaneous income includes income earned from recoveries of receivables written-off.



Other administrative expenses consist of:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Salaries, wages and employee benefits (Note 22)	₱35,355,294	₱30,702,811	₱33,306,746	₱28,465,009
Transportation and travel	8,191,157	6,028,783	7,428,010	5,445,577
Depreciation and amortization (Notes 14 and 15)	8,024,307	10,537,893	7,672,035	10,132,844
Seminars and meetings	8,023,270	6,610,746	8,023,270	6,572,067
Program monitoring and evaluation	6,834,940	4,985,387	6,630,736	4,985,387
Taxes and licenses	3,623,634	6,261,159	3,271,243	5,196,237
Supplies and materials	2,971,146	2,251,385	2,487,357	2,153,308
Staff training and development	2,166,919	5,122,304	2,042,995	5,062,735
Management and other professional fees	2,100,848	3,317,969	1,610,498	3,058,737
Provision for (reversal of) impairment losses	2,759,156	5,203,307	–	1,425,294
Representation (Note 24)	877,648	1,369,477	809,744	1,252,277
Miscellaneous (Note 14)	7,480,957	8,186,396	4,122,763	5,028,275
	₱88,409,276	₱90,577,617	₱77,405,397	₱78,777,747

Miscellaneous expense includes client training and development, communication and postage, insurance, repairs and maintenance, periodicals and magazines, information technology and utilities.

27. Lease Contracts

As Lessee

The Parent Company leases the premises occupied by its unit offices, as well as staff houses of its employees. The lease contracts are for periods ranging from five months to thirteen months and are renewable upon mutual agreement between the Group and the lessors. In 2015 and 2014, total 'Rental expense' under 'Project related expenses' amounted to ₱88.9 million and ₱71.6 million, respectively (Note 23).

The Group's future aggregate minimum lease payments within one year in 2015 and 2014 under non-cancelable operating leases amounted to ₱17.4 million and ₱35.2 million, respectively.

As Lessor

The Parent Company's operating lease contracts generally have terms of three to five years. Operating lease income included as 'Rent' under 'Other income' in 2015 and 2014 amounted to ₱5.7 million and ₱5.4 million, respectively (Note 26).



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

	Within one year		After one year but within five years	
	2015	2014	2015	2014
Aggregate minimum rentals receivable	₱5,402,653	₱5,258,105	₱11,182,247	₱9,306,052

28. Related Party Transactions

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

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

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

Remunerations of Key Management Personnel

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

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

	Consolidated		Parent Company	
	2015	2014	2015	2014
Short-term employee benefits	₱27,263,413	₱24,391,990	₱26,702,206	₱23,476,770
Post-employment benefits	13,000,920	9,551,278	12,873,480	9,409,035
	₱40,264,333	₱33,943,268	₱39,575,686	₱32,885,805

Other related party transactions

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



Cash and cash equivalents, accounts payable and accounts receivable

Cash and cash equivalents, accounts payable and accounts receivable held by the Group for key management personnel, associates, and other related party as at December 31, 2015 and 2014 follow:

December 31, 2015			
Category	Amount/Volume	Outstanding Balance	Nature, Terms and Conditions
Subsidiaries:			
Due from affiliates		₱-	The amount represents RISEs share of expenses still payable to the Parent Company.
Billings	₱135,975		
Collections	(135,975)		
Associates:			
Cash and cash equivalents		139,401,234	These are savings, checking and time deposit accounts with annual interest rates ranging from 1.5% to 4.0%.
Deposits	305,999,043		
Withdrawals	(259,040,128)		
Due to affiliates		626,473	The amount represents the Parent Company's share of expenses still payable to the associates.
Billings	21,906,443		
Payments	(24,635,578)		
Due from affiliates		91,713	The amount represents the associates' share of expenses still payable to the Parent Company.
Billings	15,121,021		
Collections	(15,226,868)		
Other related parties:			
Due to affiliates		5,950,546	The amount represents the Parent Company's share of expenses still payable to the affiliates.
Billings	50,803,116		
Payments	(61,820,726)		
Due from affiliates		3,890,550	The amount represents the affiliates' share of expenses still payable to the Parent Company.
Billings	13,469,463		
Collections	(18,628,052)		

December 31, 2014			
Category	Amount/Volume	Outstanding Balance	Nature, Terms and Conditions
Subsidiaries:			
Due to affiliates		₱-	The amount represents the Parent Company's share of expenses still payable to RISE.
Billings	₱52		
Collections	(52)		
Due from affiliates		-	The amount represents RISE's share of expenses still payable to the Parent Company.
Billings	27,925		
Collections	(28,545)		
Associates:			
Cash and cash equivalents		92,442,319	These are savings, checking and time deposit accounts with annual interest rates ranging from 1.5% to 4.0%.
Deposits	382,498,154		
Withdrawals	(475,223,352)		
Due to affiliates		3,355,608	The amount represents the Parent Company's share of expenses still payable to the associates.
Billings	14,850,834		
Payments	(15,037,503)		
Due from affiliates		197,560	The amount represents the associates' share of expenses still payable to the Parent Company.
Billings	33,641,502		
Collections	(33,893,484)		
Other related parties:			
Due to affiliates		16,968,156	The amount represents the Parent Company's share of expenses still payable to the affiliates.
Billings	31,297,897		
Payments	(32,992,129)		
Due from affiliates		9,049,139	The amount represents the affiliates' share of expenses still payable to the Parent Company.
Billings	10,582,407		
Collections	(62,903,140)		



Others

Other related party transactions of the Group are as follows:

	2015	2014	Nature, Terms and Conditions
Statement of Assets, Liabilities and Fund Balance			
Affiliates:			
AFS investment	2,618,000	2,618,000	This pertains to investment in preferred shares to CARD Bank (13,090 shares at 200 per share).
Dividend received	82,338,345	54,866,471	Share of dividend from investment in associates.
Other assets	–	15,992,378	This pertains to grant fund from German Savings Foundation intended as revolving fund of CARD Bank (Note 16).
Subscription payable	15,739,000	60,690,300	Represents payable for the shares of stock.
Prepaid Subscription	–	23,613,000	Represents deposit for future stock subscription to CAMIA, BotiCARD and RBI.
Other related parties:			
Unearned rent income	101,052	135,076	This pertains to unearned income from premises rented out by the Parent Company to CARD BDSF. This is recorded under 'Accounts payable and accrued expenses' (Note 20).
Statement of Comprehensive Income			
Affiliates:			
Equity in net earnings	₱250,915,696	₱140,773,538	Equity share in net income of associates (Note 13). These are interest earned by savings and time deposit accounts of the Group.
Interest income	1,480,422	3,740,637	This pertains to dividend earned from preferred share AFS investment of the Group.
Dividend income	314,160	414,760	These are income earned from premises rented out by the Parent Company to other CARD-MRI institutions.
Rent income	5,050,658	4,773,158	This pertains to the CMIT's rendered services in relation to system maintenance agreement (Note 23).
Information technology	36,171,221	30,807,556	
Other related parties:			
Rent income	640,104	640,105	These are income earned from premises rented out by the Parent Company to other CARD-MRI institutions.
Seminars and training	80,851,842	59,631,446	These are trainings and development of the members and employees conducted by CMDI. Related seminars and training expenses incurred are shown as part of 'Staff training and development' and 'Client training and development' in the statement of revenue over expenses.
Interest income	132,337	1,131,648	This pertains to interest earned by the Group from loans granted to CARD BDSF.
Grants and donations	25,000,000	41,416,857	These are grants and donations provided for by the Parent Company as assistance for the operations of other CARD-MRI institutions.

Other related party transactions include:

- a. The Parent Company entered into a usufruct agreement with CMDI. The grant of the usufruct was made by the Parent Company without consideration and for the purpose of assisting CMDI in its objective of pursuing the development of microfinance in the country. The usufruct shall be for a period of ten years from July 1, 2005 to June 30, 2015, unless sooner terminated as provided in the usufruct agreement. The agreement was extended for additional six years which will end on April 30, 2024. The usufruct is subject to certain terms and conditions as agreed by the Parent Company and CMDI.
- b. The Parent Company transitioned 49 units and 39 units in 2015 and 2014, respectively, to CARD Bank, CARD SME Bank and RBI.



29. Appropriation of Fund Balance

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

On December 31, 2015 and 2014, receipts of rental income amounting to ₱5.7 million and ₱5.4 million, respectively, are appropriated, bringing the total appropriation to ₱81.5 million and ₱75.8 million as at December 31, 2015 and 2014, respectively (Note 15).

30. Approval for the Release of the Financial Statements

The accompanying financial statements of the Group were reviewed and approved for release by the Parent Company's BOT on March 19, 2016.

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

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

Business permits and licenses	₱9,582,829
Deficiency tax	8,053,364
Documentary stamp tax	5,230,431
Others	667,092
Real property tax	436,429
Community tax certificate	50,698
	<u>₱24,020,843</u>

Deficiency taxes pertain to value added taxes, documentary stamps and withholding taxes, incurred for calendar year 2013 and 2014. These were pursuant with Letter of Authority No. 055-2015-00000089 and 055-00000099 dated September 4, 2015 and December 3, 2014, respectively.

Withholding taxes in 2015 are categorized into:

	Paid	Accrued
Compensation and benefits	₱27,041,620	₱3,443,697
Expanded withholding tax - rent expense:	6,078,830	646,004
Expanded withholding tax- professional fee	2,302,962	280,631
Final income taxes	596,929	100,330
Expanded withholding tax – others	269,121	89,379
	<u>₱36,289,462</u>	<u>₱4,560,041</u>



Tax Assessment

In 2015, the Parent Company settled deficiency tax assessments from 2014 and 2013 amounting to ₱5.3 million and ₱5.1 million, respectively. Corresponding surcharges, interests and compromise penalties amounting to ₱2.3 million were recorded as 'Miscellaneous expense' under 'Other administrative expenses' in the statement of revenue over expenses.

