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

Financial Statements
December 31, 2016 and 2015

and

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated and the Parent Company Financial Statements

Opinion

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, 2016 and 2015, 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 notes to the consolidated and parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying 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, 2016 and 2015, and their financial performance and their cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Our audits were conducted for the purpose of forming an opinion on the consolidated and the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 31 to the consolidated and the parent company 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

Ray Francis C. Balagtas
Partner
CPA Certificate No. 108795
SEC Accreditation No. 1510-A (Group A),
October 1, 2015, valid until September 30, 2018
Tax Identification No. 216-950-288
BIR Accreditation No. 08-001998-107-2015,
March 4, 2015, valid until March 3, 2018
PTR No. 5908666, January 3, 2017, Makati City

March 18, 2017

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	
	2016	2015	**2016**	2015
ASSETS				
Cash and Cash Equivalents (Notes 6 and 28)	**₱704,379,720**	₱880,588,947	**₱670,483,667**	₱875,657,782
Short-term Investments (Note 7)	**369,841,988**	335,223,849	**369,841,988**	335,223,849
Receivables				
Receivables from members (Notes 8 and 19)	**6,022,491,602**	4,742,956,041	**6,001,916,619**	4,736,655,639
Finance lease and loans receivables (Note 9)	**15,684,134**	19,706,255	**–**	–
Due from affiliates (Notes 10 and 28)	**1,813,324**	3,982,263	**1,813,324**	3,985,481
Other receivables (Note 11)	**144,664,026**	109,273,259	**141,432,479**	108,605,210
Available-for-Sale Investments (Notes 12 and 28)	**18,492,400**	16,324,200	**18,492,400**	16,324,200
Investments in Subsidiaries and Associates (Note 13)	**1,159,247,088**	852,414,151	**1,189,361,747**	877,882,122
Property and Equipment (Note 14)	**87,769,384**	96,968,488	**86,547,760**	95,475,114
Investment Properties (Note 15)	**63,576,696**	48,959,916	**45,902,203**	30,888,632
Retirement Asset (Note 22)	**281,345,858**	107,102,124	**281,345,858**	107,102,124
Other Assets (Note 16)	**72,190,193**	46,357,679	**71,358,095**	45,957,333
	₱8,941,496,413	₱7,259,857,172	**₱8,878,496,140**	₱7,233,757,486
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Due to Members (Note 18)	**₱2,914,801,783**	₱2,272,899,507	**₱2,909,234,585**	₱2,271,837,908
Borrowings (Note 19)	**1,855,701,459**	1,714,237,488	**1,829,573,599**	1,711,737,488
Accounts Payable and Other Liabilities (Note 20)	**608,548,299**	464,555,124	**594,865,409**	458,923,937
Deferred Tax Liability	**352,909**	157,777	**–**	–
Retirement Liability (Note 22)	**341,828**	1,060,374	**–**	–
Total Liabilities	**5,379,746,278**	4,452,910,270	**5,333,673,593**	4,442,499,333
FUND BALANCE ATTRIBUTABLE TO PARENT COMPANY				
Fund Balance				
General fund	**3,294,948,665**	2,555,482,431	**3,293,380,490**	2,553,914,256
Restricted fund (Note 29)	**87,514,255**	81,507,288	**87,514,255**	81,507,288
Reserves				
Remeasurement gain on retirement plan	**157,334,370**	156,099,772	**157,571,724**	156,337,126
Equity in other comprehensive income (loss) of associates	**7,286,485**	429,890	**6,356,078**	(500,517)
	3,547,083,775	2,793,519,381	**3,544,822,547**	2,791,258,153
NON-CONTROLLING INTEREST	**14,666,360**	13,427,521	**–**	–
Total Fund Balance	**3,561,750,135**	2,806,946,902	**3,544,822,547**	2,791,258,153
	₱8,941,496,413	₱7,259,857,172	**₱8,878,496,140**	₱7,233,757,486

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	
	2016	2015	**2016**	2015
REVENUE AND OTHER INCOME				
Administrative fee (Note 8)	**₱2,843,106,559**	₱2,346,522,822	**₱2,840,370,985**	₱2,345,403,899
Grants (Note 25)	**28,850,527**	15,504,583	**27,485,535**	11,446,640
Other income (Note 26)	**36,781,062**	20,953,788	**29,770,525**	16,315,662
	2,908,738,148	2,382,981,193	**2,897,627,045**	2,373,166,201
COSTS AND EXPENSES				
Project related expenses (Note 23)	**2,217,086,077**	1,869,066,546	**2,209,381,303**	1,869,066,546
Grants and donations	**100,979,599**	74,749,911	**100,979,599**	74,729,911
Health program	**34,279,127**	24,436,073	**34,279,127**	24,436,073
Scholarship program	**3,922,385**	7,159,588	**3,922,385**	7,159,588
Research program	**22,779,271**	4,041,600	**22,779,271**	4,041,600
Other administrative expenses (Note 26)	**83,798,429**	88,409,276	**82,994,687**	77,405,397
	2,462,844,888	2,067,862,994	**2,454,336,372**	2,056,839,115
EXCESS OF REVENUE OVER EXPENSES BEFORE SHARE IN NET INCOME OF ASSOCIATES AND SUBSIDIARIES	**445,893,260**	315,118,199	**443,290,673**	316,327,086
SHARE IN NET INCOME OF ASSOCIATES AND SUBSIDIARIES (Note 13)	**323,764,472**	250,915,696	**325,250,575**	247,096,847
EXCESS OF REVENUE OVER EXPENSES BEFORE INCOME TAX	**769,657,732**	566,033,895	**768,541,248**	563,423,933
PROVISION FOR INCOME TAX (Note 24)	**23,119,094**	940,960	**23,068,047**	725,356
EXCESS OF REVENUE OVER EXPENSES	**₱746,538,638**	₱565,092,935	**₱745,473,201**	₱562,698,577
ATTRIBUTABLE TO:				
Parent Company	**₱745,473,201**	₱566,177,018		
Non-controlling Interest	**1,065,437**	(1,084,083)		
	₱746,538,638	₱565,092,935		

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	
	2016	2015	**2016**	2015
EXCESS OF REVENUE OVER EXPENSES	**₱746,538,638**	₱565,092,935	**₱745,473,201**	₱562,698,577
Items that do not recycle to profit of loss in subsequent periods:				
Change in remeasurement gain (loss) of retirement plan (Note 22)	**1,234,598**	(5,039,290)	**1,234,598**	(4,239,867)
Change in equity in remeasurement gain (loss) of retirement plan of associates and subsidiaries	**7,029,997**	(12,394,269)	**6,856,595**	(13,324,676)
	8,264,595	(17,433,559)	**8,091,193**	(17,564,543)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**₱754,803,233**	₱547,659,376	**₱753,564,394**	₱545,134,034
Attributable to:				
Parent Company	**₱753,564,394**	₱549,047,917		
Non-controlling Interest	**1,238,839**	(1,388,541)		
	₱754,803,233	₱547,659,376		

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				
	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	Non-controlling interest	Total Fund Balance
Balance at January 1, 2016	**₱2,555,482,431**	**₱81,507,288**	**₱156,099,772**	**₱429,890**	**₱2,793,519,381**	**₱13,427,521**	**₱2,806,946,902**
Appropriation during the year (Note 29)	**(6,006,967)**	**6,006,967**	–	–	–	–	–
Total comprehensive income for the year	**745,473,201**	–	**1,234,598**	**6,856,595**	**753,564,394**	**1,238,839**	**754,803,233**
Balance at December 31, 2016	**₱3,294,948,665**	**₱87,514,255**	**₱157,334,370**	**₱7,286,485**	**₱3,547,083,775**	**₱14,666,360**	**₱3,561,750,135**

	Consolidated						
	Fund Balance Attributable to the Parent Company						
	Fund Balance (Note 29)		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	Non-controlling interest	Total Fund Balance
Balance at January 1, 2015	₱1,994,996,175	₱75,816,526	₱160,834,604	₱12,824,159	₱2,244,471,464	₱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)	549,047,917	(1,388,541)	547,659,376
Balance at December 31, 2015	₱2,555,482,431	₱81,507,288	₱156,099,772	₱429,890	₱2,793,519,381	₱13,427,521	₱2,806,946,902

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, 2016	**₱2,553,914,256**	**₱81,507,288**	**₱156,337,126**	**(₱500,517)**	**₱2,791,258,153**
Appropriation during the year (Note 29)	**(6,006,967)**	**6,006,967**	**–**	**–**	**–**
Total comprehensive income for the year	**745,473,201**	**–**	**1,234,598**	**6,856,595**	**753,564,394**
Balance at December 31, 2016	**₱3,293,380,490**	**₱87,514,255**	**₱157,571,724**	**₱6,356,078**	**₱3,544,822,547**

	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	₱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

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	
	2016	2015	**2016**	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess of revenue over expenses before income tax	**₱769,657,732**	₱566,033,895	**₱768,541,248**	₱563,423,933
Adjustments for:				
Equity in net earnings of associates and subsidiaries (Notes 13 and 23)	**(323,764,472)**	(250,915,696)	**(325,250,575)**	(247,096,847)
Gain on sale of investment properties (Note 26)	**(2,213,352)**	–	**–**	–
Interest expense (Note 19)	**61,207,621**	43,079,284	**61,126,543**	42,858,867
Pension expense (Note 22)	**35,274,404**	38,307,187	**35,077,418**	38,224,551
Depreciation and amortization (Notes 14 and 15)	**22,272,224**	23,937,250	**21,847,233**	23,584,978
Provision for credit and impairment losses (Notes 8, 9, 11, 15,16 and 17)	**(7,936,574)**	18,267,047	**(7,734,535)**	15,507,891
Interest income (Note 26)	**(9,251,601)**	(7,813,901)	**(9,246,186)**	(7,807,373)
Foreign exchange gain	**(716,735)**	(579,673)	**(1,111,880)**	(767,000)
Dividend income (Notes 12, 26 and 28)	**(418,880)**	(314,160)	**(418,880)**	(314,160)
Loss (gain) on disposal/retirement of Assets	**–**	(521,057)	**–**	4,867
Changes in operating assets and liabilities:				
Decrease (increase) in amounts of:				
Receivables	**(1,300,679,428)**	(607,235,727)	**(1,287,854,897)**	(602,053,982)
Short term investments	**(34,618,139)**	(235,223,849)	**(34,618,139)**	(235,223,849)
Other assets	**(25,832,514)**	21,069,831	**(25,400,762)**	21,727,726
Increase in amounts of:				
Due to members	**641,902,276**	305,010,497	**637,396,677**	304,034,525
Accounts payable and accrued Expenses	**122,307,873**	33,500,152	**115,633,087**	31,589,886
Net cash flows used in operations	**(52,809,565)**	(53,398,920)	**(52,013,648)**	(52,305,987)
Interest paid	**(61,381,176)**	(44,677,318)	**(62,637,378)**	(44,420,235)
Contributions to the retirement plan (Note 22)	**(208,351,648)**	(143,779,479)	**(208,086,554)**	(143,675,298)
Interest received	**9,132,335**	7,390,241	**8,919,526**	7,712,154
Income taxes paid	**(23,165,337)**	(799,407)	**(23,153,927)**	(780,281)
Net cash flows used in operating activities	**(336,575,391)**	(235,264,883)	**(336,971,981)**	(233,469,647)

(Forward)

	Years Ended December 31			
	Consolidated		Parent Company	
	2016	2015	**2016**	2015
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of:				
Property and equipment (Note 14)	**₱375,334**	₱176,693	**₱375,334**	₱176,150
Investment property (Note 15)	**2,668,000**	–	**–**	–
Investment in associates and subsidiary	**–**	274,400	**1,000**	274,400
Acquisitions of:				
Investment in associates and subsidiaries (Note 13)	**(50,102,200)**	(62,385,000)	**(52,588,200)**	(67,091,000)
Property and equipment (Note 14)	**(10,923,144)**	(20,151,723)	**(10,768,438)**	(19,982,032)
Available-for-sale investments (Note 12)	**(1,450,000)**	(977,120)	**(1,450,000)**	(977,120)
Investment properties (Note 15)	**(17,598,202)**	(5,761,883)	**(17,540,346)**	(5,761,883)
Dividends received (Notes 12 and 13)	**95,932,405**	82,652,505	**95,932,405**	82,652,505
Net cash flows provided by (used in) investing activities	**18,902,193**	(6,172,128)	**13,961,755**	(10,708,980)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings	**2,318,778,360**	1,873,508,100	**2,292,581,500**	1,873,508,100
Settlement of borrowings	**(2,177,314,389)**	(1,476,228,873)	**(2,174,814,389)**	(1,473,728,873)
Net cash flows provided by financing activities	**141,463,971**	397,279,227	**117,767,111**	399,779,227
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(176,209,227)**	155,842,216	**(205,174,115)**	155,600,600
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**880,588,947**	724,746,731	**875,657,782**	720,057,182
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱704,379,720**	₱880,588,947	**₱670,483,667**	₱875,657,782

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.

On August 2, 2016, the Parent Company was deemed an accredited Microfinance NGO by the Microfinance NGO Regulatory Council (the Council) after having been certified by the SEC to have no derogatory information. In accordance with Republic Act (RA) No. 10693, otherwise known as the Microfinance NGOs Act, the Parent Company shall be entitled to avail of the two percent (2%) gross receipts tax on its income from microfinance operations (Note 24).

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, 2016 and 2015, the Parent Company has 1,075 and 942 branches, respectively.

<u>The Subsidiaries</u>
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 under 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 99.0% 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 and the Parent Company present the 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 instruments 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 and the Parent Company assess 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, the Parent Company 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 consolidated financial statements of the Group are prepared for the same reporting year as the Parent Company, using consistent accounting policies. All significant intra-group balances, transactions and income and expenses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Parent Company.

The Group controls an investee if, and only if, the Group 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 its returns.

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-assesses 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. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Group and to the non-controlling interests. When necessary, adjustments are made to the financial statements of the subsidiary to bring its accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the related OCI recorded in equity and recycle the same to profit or loss or surplus
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes the remaining difference in profit or loss
- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be recognized if the Group had directly disposed of the related assets or liabilities

Non-controlling interests
Non-controlling interest represents the portion of statement of revenue over expenses and the net assets not owned, directly or indirectly, by the Parent Company.

Non-controlling interest is 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.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year except for the following new, amendments and improvements to PFRS and Philippine Accounting Standards (PAS) which became effective as of January 1, 2016. Except as otherwise indicated, these changes in the accounting policies did not have any significant impact on the financial position or performance of the Group:

- *New and Amended Standards*
  - Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investment in Associates and Joint Ventures* - Investment Entities: Applying the Consolidation Exception
  - Amendments to PFRS 11, *Joint Arrangements* - Accounting for Acquisitions of Interests in Joint Operations
  - Amendments to PAS 1, *Presentation of Financial Statements* - Disclosure Initiative
  - PFRS 14, *Regulatory Deferral Accounts*
  - Amendments to PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture* - Bearer Plants
  - Amendments to PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets* - Clarification of Acceptable Method of Depreciation and Amortization

- *Annual Improvements to PFRSs (2012-2014 Cycle)*
  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* – Changes 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*
  - Amendment to PFRS 12, *Clarification of the Scope of the Standard*
  - PAS 19, *Employee Benefits* – Regional Market Issue Regarding Discount Rate
  - PAS 34, *Interim Financial Reporting* – Disclosure of Information 'Elsewhere in the Interim Financial Report'

Summary of Significant Accounting Policies

Foreign Currency Translations - Transactions and Balances
Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction.

Foreign currency-denominated monetary assets and liabilities are translated using the Philippine Dealing System (PDS) closing rate prevailing at the end of the year, and income and expenses are translated at PDS weighted average rates prevailing at transaction dates. Exchange differences arising from reporting foreign currency monetary items at rates different from those at which they were previously recorded, as well as foreign exchange gains or losses arising from foreign currency transactions are credited to or charged against the statement of income in the year on which the rates changed.

Nonmonetary 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. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

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

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

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

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

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

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.

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.

Financial Instruments – Initial Recognition and Subsequent Measurement

Date of recognition

Purchases or sales of financial assets, except for derivatives, that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the Group, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that such asset is delivered by the Group. 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, 2016 and 2015, the Group has no financial instruments 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', 'Receivables' and other loans and security deposits under 'Other Assets'. 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, loans 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 investments are comprised 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. 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.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
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.

<u>Impairment of Financial Assets</u>
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 'Other income' 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 case of equity securities classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below their 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 those financial assets previously recognized in the statement of revenue over expenses - is removed from OCI and charged to current operations.

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

The Group determines that AFS equity securities are impaired when various factors raise substantial doubt about the ability of the investee company to continue as a going concern. These factors include, but not limited to:

- material operating losses over several years;
- adverse key financial ratios;
- adverse cash flow and liquidity issues;
- adverse solvency issues; and
- operational and management issues.

Impairment losses on equity securities are not reversed through profit or loss. 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.

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 duties. 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.

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.

<u>Costs and Expenses</u>
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.

<u>Retirement Benefits</u>
The Group operates a defined benefit retirement plan and hybrid retirement plan which require contributions to be made to separately administered funds.

The net defined benefit asset (liability) 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 asset (liability) is the change during the period in the net defined benefit asset (liability) that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit asset (liability). Net interest on the net defined benefit asset (liability) is recognized as income (expense) 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 assets, liabilities and fund balance 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 revenue over expenses 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.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

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

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

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

Residual Value of Leased Assets
The residual value of leased assets is the estimated proceeds from the disposal of the leased asset at the end of the lease term.

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. The measurement policies under ‘Loans and Receivables’ apply to finance leases.

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 (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

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2017
- Amendment to PFRS 12, *Clarification of the Scope of the Standard (*Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle)*
- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

Effective beginning on or after January 1, 2018
- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

Deferred effectivity
- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Pronouncements that are deemed to have significant impact on the financial statements of the Group are described below.

Effective beginning on or after January 1, 2017
- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*
  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

  Application of amendments will result in additional disclosures in the 2017 financial statements of the Group.

Effective beginning on or after January 1, 2018

- PFRS 9, *Financial Instruments*
  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the amount of its credit losses.

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 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 PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group plans to adopt the new standard on the required effective date but has yet to assess the method of application.

  The Group is currently assessing the impact of adopting this standard.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*
  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, Leases. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, 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 Group is currently assessing the impact of adopting this standard.

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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 (BOD) 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, 2016 and 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' and BotiCARD Inc.'s BOD and material transactions with BotiCARD, Inc.

In 2016, the Group acquired 14.0% ownership interest in CARD MRI Holdings, Inc. (CMHI). Although the Group holds less than 20.0% of the ownership interest and voting rights in CMHI, the Group assessed that it exercises significant influence through its representation in CMHI's BOD.

As at December 31, 2016 and 2015, entities on which the Group has significant influence are disclosed in Note 13.

(b) *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.

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, 2016 and 2015, allowance for credit losses on receivables of the Group and Parent Company is disclosed in Note 17.

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

(b) *Present value of long term and post-employment benefits*
The determination of the Group's net plan assets and annual retirement and other long term employment benefits expense is dependent on the selection of certain assumptions used in calculating such amounts. These assumptions include, among others, discount rates and salary rates.

In determining the appropriate discount rate, the Group considers market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of the reporting date and the extrapolated maturities corresponding to expected duration of the defined benefit obligation. For the salary projection rate, the Group considers the inflation rate and expected average future salary increase rate of the employee, while the mortality rate was based on the 2001 Commissioners Standard Ordinary Table – Generational. While the Group believes that the assumptions are reasonable and appropriate, significant differences between actual experience and assumptions may materially affect the cost of employee benefits related obligations.

The present value of the retirement obligation and fair value of plan assets are disclosed in Note 22.

4. Fair Values of Measurement

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

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

Finance lease and loans receivables
Fair values are estimated using the discounted cash flow methodology, using risk-free rates as of year-end adjusted for the risk of uncollectibility inherent to the Company's borrowers. Discount rates used in determining fair value ranged from 12.0% to 13.8% as of December 31, 2016 and 2015.

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. These assets are not material to the Group and Parent Company's portfolio of financial assets.

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. Discount rates used in determining fair value ranged from 3.0% to 3.5% as of December 31, 2016 and 2015.

Investment properties
Fair values of the Group'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 long-term financial instruments and non-financial assets as at December 31, 2016 and 2015 for which fair values are disclosed.

	Consolidated		**Parent Company**	
	2016		**2016**	
	Carrying Value	**Level 3**	**Carrying Value**	**Level 3**
Assets for which fair values are disclosed:				
Financial assets				
Finance lease and loans receivables	**₱15,684,134**	**₱16,447,408**	**₱–**	**₱–**
Nonfinancial assets				
Investment properties	**63,576,696**	**79,550,592**	**45,902,203**	**69,923,071**
Financial liabilities				
Borrowings	**1,855,701,459**	**1,916,441,832**	**1,829,573,599**	**1,890,313,972**

	Consolidated		Parent Company	
	2015		2015	
	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	₱–	₱–
Other receivables	11,963,639	12,175,383	11,963,639	12,175,383
Nonfinancial assets				
Investment properties	48,959,916	54,613,258	30,888,632	33,676,751
Financial liabilities				
Borrowings	1,712,119,411	1,708,307,750	1,712,119,411	1,708,218,650

The Group and the Parent Company do not have financial instruments carried at fair value as at December 31, 2016 and 2015. The Group does not have assets and liabilities categorized under Levels 1 and 2 of the fair value hierarchy.

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

The market data approach is a comparable method wherein the value of the property is based on sales and listings of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property. Comparison would be premised on the factors of location, size and shape of the lot, and time element.

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. The Risk Management Unit 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) of RISE. 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.

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

Management of credit risk
The Parent Company 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 monthly basis. Consistent monitoring for these accounts is established by competent and diligent personnel to maximize recovery. Writing off bad debt accounts are 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, 2016 and 2015 are as follows (in millions):

	Consolidated			
	2016			
	Maximum credit exposure	**Fair value of collateral**	**Financial effect of collateral or credit enhancement**	**Net exposure**
Receivable from members	**₱6,022**	**₱2,575**	**₱2,575**	**₱3,447**
Finance lease and loans receivables	**16**	**18**	**14**	**2**
	₱6,038	**₱2,593**	**₱2,589**	**₱3,449**

	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

	Parent Company			
	Maximum credit exposure	**Fair value of collateral**	**Financial effect of collateral or credit enhancement**	**Net exposure**
2016				
Receivable from members	**₱6,002**	**₱2,571**	**₱2,571**	**₱3,431**
2015				
Receivable from members	4,737	2,237	2,237	2,500

Credit enhancement for receivables from members pertains to contribution of members for capital build-up purposes equivalent to 10.0% or 20.0% of the loaned amount of the member, depending on type of loan concerning the Parent Company (Note 18). 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, 2016 and 2015. 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 unearned lease income, unearned interest income and allowance for credit losses) as at December 31, 2016 and 2015 (in thousands):

	2016				
	Consolidated				
	Neither past due nor impaired				
	High Grade	Standard grade	Past due but not impaired	Past due and impaired	Total
Cash in banks	**₱704,140**	**₱–**	**₱–**	**₱–**	**₱704,140**
Short-term investments	**369,842**	–	–	–	**369,842**
Receivables					
Receivables from members	–	**6,103,405**	**5,442**	**36,584**	**6,145,431**
Finance and lease receivables					
Finance lease receivables	**4,219**	**13,600**	–	–	**17,819**
Loans receivable	–	–	–	–	–
Due from affiliates	–	**1,813**	–	–	**1,813**
Other receivables	**1,868**	**142,796**	–	**11,366**	**156,030**
Available-for-sale investments	**18,492**	–	–	–	**18,492**
Other assets	**1**	**28,446**	–	–	**28,447**
	₱1,098,562	**₱6,290,060**	**₱5,442**	**₱47,950**	**₱7,442,014**

	2015				
	Consolidated				
	Neither past due nor impaired				
	High Grade	Standard grade	Past due but not impaired	Past due and impaired	Total
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 and lease receivables					
Finance lease receivables	8,262	5,242	7,029	–	20,533
Loans receivables	–	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	₱4,982,026	₱11,251	₱47,484	₱6,280,822

	2016				
	Parent Company				
	Neither past due nor impaired				
	High Grade	**Standard grade**	**Past due but not impaired**	**Past due and impaired**	**Total**
Cash in banks	**₱670,286**	**₱–**	**₱–**	**₱–**	**₱670,286**
Short-term investments	**369,842**	**–**	**–**	**–**	**369,842**
Receivables					
Receivables from members	**–**	**6,082,623**	**5,442**	**36,584**	**6,124,649**
Due from affiliates	**–**	**1,813**	**–**	**–**	**1,813**
Other receivables	**–**	**141,432**	**–**	**11,366**	**152,798**
Available-for-sale investments	**18,492**	**–**	**–**	**–**	**18,492**
Other assets	**–**	**28,446**	**–**	**–**	**28,446**
	₱1,058,620	**₱6,254,314**	**₱5,442**	**₱47,950**	**₱7,366,326**

	2015				
	Parent Company				
	Neither past due nor impaired				
	High Grade	Standard grade	Past due but not impaired	Past due and impaired	Total
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

As at December 31, 2016 and 2015, 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, 2016 and 2015 (in thousands):

	Consolidated			
2016	**Less than 30 Days**	**31 to 60 Days**	**61 to 90 Days**	**Total**
Project assistance receivables	**₱551**	**₱2,041**	**₱1,880**	**₱4,472**
Members assistance receivables	**83**	**467**	**420**	**970**
Finance lease and loans receivables	**–**	**–**	**–**	**–**
	₱634	**₱2,508**	**₱2,300**	**₱5,442**

2015	Consolidated Less than 30 Days	31 to 60 Days	61 to 90 Days	Total
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

2016	**Parent Company** **Less than** **30 Days**	**31 to 60 Days**	**61 to 90 Days**	**Total**
Project assistance receivables	**₱551**	**₱2,041**	**₱1,880**	**₱4,472**
Members assistance receivables	**83**	**467**	**420**	**970**
	₱634	**₱2,508**	**₱2,300**	**₱5,442**

2015	Parent Company Less than 30 Days	31 to 60 Days	61 to 90 Days	Total
Project assistance receivables	₱897	₱1,496	₱1,530	₱3,923
Members assistance receivables	56	159	84	299
	₱953	₱1,655	₱1,614	₱4,222

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 **On demand**	**Due within 1 month**	**1 to 3 months**	**3 to 12 months**	**Beyond 1 year**	**Total**
2016						
Financial Assets						
Cash and cash equivalents	**₱239,932**	**₱381,045**	**₱48,069**	**₱35,744**	**₱–**	**₱704,790**
Short-term investments	**–**	**–**	**144,986**	**227,048**	**–**	**372,034**
Receivables	**–**	**272,588**	**2,070,010**	**4,415,964**	**7,352**	**6,765,914**
Total Financial Assets	**239,932**	**653,633**	**2,263,065**	**4,678,756**	**7,352**	**7,842,738**
Financial Liabilities						
Accounts payable and accrued expenses	**5,471**	**44,350**	**101,436**	**437,105**	**–**	**588,362**
Due to members	**2,914,802**	**–**	**–**	**–**	**–**	**2,914,802**
Borrowings	**–**	**794,796**	**716,347**	**88,490**	**276,310**	**1,875,943**
Total Financial Liabilities	**2,920,273**	**839,146**	**817,783**	**525,595**	**276,310**	**5,379,946**
Net Undiscounted Cash Flows	**(₱2,680,341)**	**(₱185,513)**	**₱1,445,282**	**₱4,153,161**	**(₱268,958)**	**₱2,462,792**

	Consolidated					
	On demand	Due within 1 month	1 to 3 months	3 to 12 months	Beyond 1 year	Total
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	5,258	300,154	1,579,418	3,601,377	9,574	5,495,781
Total Financial Assets	318,617	653,319	1,812,979	3,912,273	9,574	6,706,762
Financial Liabilities						
Accounts payable and accrued expenses	2,435	49,287	78,386	328,796	–	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	1,201,918	156,529	4,490,155
Net Undiscounted Cash Flows	(₱1,956,718)	₱497,882	₱1,112,043	₱2,710,355	(₱146,955)	₱2,216,607

	Parent Company					
	On demand	**Due within 1 month**	**1 to 3 months**	**3 to 12 months**	**Beyond 1 year**	**Total**
2016						
Financial Assets						
Cash and cash equivalents	**₱206,037**	**₱381,045**	**₱48,069**	**₱35,744**	**₱–**	**₱670,895**
Short term investments	**–**	**–**	**144,986**	**227,048**	**–**	**372,034**
Receivables	**–**	**270,987**	**2,066,808**	**4,406,558**	**3,742**	**6,748,095**
Total Financial Assets	**206,037**	**652,032**	**2,259,863**	**4,669,350**	**3,742**	**7,791,024**
Financial Liabilities						
Due to members	**2,909,235**	**–**	**–**	**–**	**–**	**2,909,235**
Accounts payable and accrued expenses	**5,471**	**43,748**	**95,419**	**430,963**	**–**	**575,601**
Borrowings	**–**	**794,796**	**716,347**	**88,490**	**245,276**	**1,844,909**
Total Financial Liabilities	**2,914,706**	**838,544**	**811,766**	**519,453**	**245,276**	**5,329,745**
Net Undiscounted Cash Flows	**(₱2,708,669)**	**(₱186,512)**	**₱1,448,097**	**₱4,149,897**	**(₱-241,534)**	**₱2,461,279**

	Parent Company					
	On demand	Due within 1 month	1 to 3 months	3 to 12 months	Beyond 1 year	Total
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	73,736	216,196	636,745	4,528,652	6,566	5,461,895
Total Financial Assets	₱387,138	₱569,675	₱870,620	₱4,842,128	₱6,566	₱6,676,127
Financial Liabilities						
Due to members	₱2,271,838	₱–	₱–	₱–	₱–	₱2,271,838
Accounts payable and accrued expenses	–	48,800	78,389	326,901	–	454,090
Borrowings	–	106,150	621,925	871,247	156,529	1,755,851
Total Financial Liabilities	2,271,838	154,950	700,314	1,198,148	156,529	2,209,941
Net Undiscounted Cash Flows	(₱1,884,700)	₱414,725	₱170,306	₱3,643,980	(₱149,963)	₱2,194,348

Market Risk

Market risk is the risk of loss of 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.

As of December 31, 2016 and 2015, the Parent Company has no financial assets and liabilities subject to repricing. As such, the Parent Company is not exposed to interest rate risk.

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, 2016 and 2015:

	2016		2015	
	in $	**in €**	in $	in €
Cash in banks and cash equivalents	**379,758**	**80,733**	337,733	42,876
Available-for-sale investments	**270,000**	**–**	270,000	–
Investment in subsidiaries	**198,000**	**–**	148,000	–
Other assets	**265,369**	**–**	228,166	–
Total	**1,113,127**	**80,733**	983,899	42,876

In translating foreign currency-denominated accounts to Philippine peso amounts, the exchange rates used were ₱49.7 to $1.0 and ₱47.0 to $1.0 in 2016 and 2015, respectively, and ₱51.8 to €1.0 and ₱51.7 to €1.0 in 2016 and 2015, 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**
2016		
USD	**+5.0**	**₱2,767,234**
	–5.0	**(2,767,234)**
Euro	**+5.0**	**209,098**
	–5.0	**(209,098)**

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)

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	
	2016	2015	**2016**	2015
Cash in banks (Note 28)	**₱704,140,271**	₱880,244,285	**₱670,285,651**	₱875,343,378
Cash on hand	**239,449**	344,662	**198,016**	314,404
	₱704,379,720	₱880,588,947	**₱670,483,667**	₱875,657,782

Cash in banks consist of demand, savings and time deposit accounts. Time deposit placements, with a term of less than three months, bear interest from 0.3% to 3.8% and 1.0% to 3.8% in 2016 and 2015, respectively. In addition, the Parent Company has dollar and euro accounts amounting to ₱18.9 million ($0.38 million) and ₱13.4 million (€0.08 million) as of December 31, 2016, respectively, and ₱13.4 million ($0.34 million) and ₱2.2 million (€0.04 million) as of December 31, 2015, respectively.

The Group and Parent Company's demand and savings deposits earn annual interest ranging from 0.1% to 1.5% and from 0.1% to 2.0% in 2015 and 2016, respectively.

Interest income under 'Other income' earned by the Group, which is mostly attributed to the Parent Company, from cash in banks amounted to ₱6.0 million and ₱6.1 million in 2016 and 2015, 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. As at December 31, 2016 and 2015, the short-term investments amounted to ₱369.8 million and ₱335.2 million, respectively (Note 28).

Short-term investments earn annual interest ranging from 1.6% to 4.3% and from 1.5% to 4.3% in 2016 and 2015, respectively. Interest income under 'Other income' from short-term investments amounted to ₱3.3 million and ₱0.3 million in 2016 and 2015 (Note 26).

8. Receivables from Members

This account consists of:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Project assistance receivable	**₱5,303,563,690**	₱4,353,289,656	**₱5,282,780,879**	₱4,346,860,674
Members assistance receivable	**841,867,752**	532,346,568	**841,867,752**	532,346,568
	6,145,431,442	4,885,636,224	**6,124,648,631**	4,879,207,242
Allowance for credit losses (Note 17)	**(122,939,840)**	(142,680,183)	**(122,732,012)**	(142,551,603)
	₱6,022,491,602	₱4,742,956,041	**₱6,001,916,619**	₱4,736,655,639

Receivables from members are partially secured by contributions from members recoded as 'Due to members' amounting to ₱2.6 billion and ₱2.3 billion as at December 31, 2016 and 2015, respectively (Note 18).

Project assistance receivable and member assistance receivable earn annual effective administrative fee of 7.6% to 58.8% in 2016 and 2015, respectively.

As of December 31, 2016 and 2015, administrative fee earned from receivable from members are as follow:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Project assistance receivable	**₱2,510,614,237**	₱2,143,942,266	**₱2,507,678,654**	₱2,142,818,356
Members assistance receivable	**354,040,914**	244,971,723	**354,040,914**	244,971,723
Service fees	**15,725,529**		**15,725,529**	
Administrative expense related to Due to Members	**(37,274,121)**	(42,391,167)	**(37,074,112)**	(42,386,180)
Administrative fee	**₱2,843,106,559**	₱2,346,522,822	**₱2,840,370,985**	₱2,345,403,899

Receivables from members include past due receivables, which is primarily from the receivables of the Parent Company, amounting to ₱36.6 million and ₱31.9 million as of December 31, 2016 and 2015, respectively.

As of December 31, 2016 and 2015, project assistance receivables with carrying value of ₱1.9 billion and ₱1.7 billion, respectively, were used as collateral for interest-bearing borrowings (Note 19).

9. Finance and Lease Receivables

This account consists of:

	2016	2015
Lease contracts receivable:		
Finance lease receivable (Note 28)	**₱17,819,339**	₱20,533,318
Unearned lease income	**(1,852,052)**	(2,621,357)
	15,967,287	17,911,961
Loans receivable	–	7,215,407
	15,967,287	25,127,368
Allowance for credit losses (Note 17)	**(283,153)**	(5,421,113)
	₱15,684,134	₱19,706,255

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

An analysis of the finance lease receivables as at December 31, 2016 and 2015 is presented as follows:

	2016		
	Not later than one year	**Later than one year and less than five years**	**Total**
Minimum lease payments	**₱14,097,769**	**₱2,685,949**	**₱16,783,718**
Residual value of leased assets	**398,357**	**637,265**	**1,035,622**
Gross investment in finance lease receivables	**14,496,126**	**3,323,214**	**17,819,340**
Unearned lease income	**(1,573,209)**	**(278,843)**	**(1,852,052)**
	12,922,917	**3,044,371**	**15,967,288**
Allowance for credit losses	**(229,165)**	**(53,988)**	**(283,153)**
Net investment in finance lease receivables	**₱12,693,752**	**₱2,990,383**	**₱15,684,135**

	2015		
	Not later than one year	Later than one year and less than five years	Total
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

All finance lease receivables are subjected to collective impairment assessment.

The breakdown of interest income on finance lease and loans receivables of RISE in 2016 and 2015 follows (Note 26):

	2016	2015
Finance lease receivables (Note 28)	**₱2,819,677**	₱3,651,144
Loans receivables	**255,070**	240,369
	₱3,074,747	₱3,891,513

10. Due from Affiliates

This account consists of:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
CARD MRI Property Holdings (CMPH), Inc.	**₱1,010,510**	₱–	**₱1,010,510**	₱–
CARD Mutual Benefit Association (MBA), Inc.	**684,079**	2,470,621	**684,079**	2,470,621
CARD MRI Microfinance, Inc. (CMMI)	**111,975**	–	**111,975**	–
CARD Employee Multi-Purpose Cooperative (EMPC), Inc.	**5,800**	46,733	**5,800**	46,733

(Forward)

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
CARD SME Bank, Inc. (CARD SME Bank)	**₱960**	₱21,136	**₱960**	₱21,136
CARD Business Development Service Foundation (BDSF), Inc.	**–**	1,344,158	**–**	1,344,158
CARD Bank, Inc. (CARD Bank)	**–**	43,586	**–**	43,586
CARD MRI Development Institute (CMDI), Inc.	**–**	28,770	**–**	28,770
CARD Leasing and Finance Corporation (CLFC)	**–**	18,319	**–**	18,319
CARD MRI Information Technology (CMIT), Inc.	**–**	8,088	**–**	8,088
BotiCARD, Inc.	**–**	500	**–**	500
Mga Likha ni Inay, Inc. (MLNI)	**–**	268	**–**	268
CARD MRI Insurance Agency (CAMIA), Inc.	**–**	84	**–**	84
Rizal Bank, Inc. (RBI)	**–**	–	**–**	–
RISE Financing Company	**–**	–	**–**	3,218
Total	**₱1,813,324**	₱3,982,263	**₱1,813,324**	₱3,985,481

CARD BDSF, CMIT, CARD EMPC, CARD MBA, CARD SME Bank, CARD Bank, BotiCARD, CMDI, CAMIA, RBI, CLFC, RISE, CMPH, CMMI and MLNI are all members of CARD MRI Group. These institutions 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 of December 31, 2016 and 2015, receivable from CARD BDSF amounted to nil and ₱1.3 million, respectively. Interest income under 'Other income' earned from this loan amounted to ₱0.02 million and ₱0.1 million in 2016 and 2015, respectively (Note 26).

Due from CARD EMPC, CARD SME Bank, CMPH and CMMI mainly consist of the affiliates' share in expenses paid for by the Parent Company.

11. Other Receivables

This account consists of:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Accrued administrative fee receivable	**₱106,472,991**	₱70,385,881	**₱105,109,044**	₱69,931,121
Receivable from:				
Other microfinance institutions	**22,001,255**	15,768,503	**22,001,255**	15,768,503
Officers and employees	**10,333,791**	9,832,237	**10,333,791**	9,830,277
Others	**16,538,833**	23,841,853	**14,671,233**	23,818,023
Accrued interest receivable	**683,590**	564,324	**683,590**	356,930
	156,030,460	120,392,798	**152,798,913**	119,704,854
Allowance for credit losses (Note 17)	**(11,366,434)**	(11,119,539)	**(11,366,434)**	(11,099,644)
	₱144,664,026	₱109,273,259	**₱141,432,479**	₱108,605,210

Receivables from other microfinance institutions are short-term financing with interest rate of 12.0%, which are granted to microfinance organizations and cooperatives 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 which is included in 'Other income' from the interest-bearing receivables amounted to ₱2.8 million and ₱1.3 million in 2016 and 2015, respectively (Note 26).

12. **Available-for-Sale Investments**

This account consists of investments in unquoted equity securities in a hospital, rural bank and in microfinance entities amounting to ₱18.5 million and ₱16.3 million as of December 31, 2016 and 2015, respectively.

Dividend income from AFS investments amounted to ₱0.4 million and ₱0.3 million for the years ended December 31, 2016 and 2015, respectively (Note 26).

13. **Investments in Subsidiaries and Associates**

This account consists of the following investments:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Acquisition cost				
Subsidiaries:				
RISE – 61.9% owned in 2016 and 2015	**₱–**	₱–	**₱23,985,258**	₱23,986,258
CMCL –99.0% and 98.7% owned in 2016 and 2015, respectively.	**–**	–	**9,844,560**	6,964,880
	–	–	**33,829,818**	30,951,138
Associates:				
CARD SME Bank – 33.8% owned in 2016 and 2015	**166,738,801**	166,738,801	**166,738,801**	166,738,801
CARD Bank – 29.5% owned in 2016 and in 2015	**94,170,000**	94,170,000	**94,170,000**	94,170,000
RBI – 32.0% owned in 2016 and 2015	**67,750,000**	67,750,000	**67,750,000**	67,750,000
CMPH - 40% owned in 2016	**50,000,300**	–	**50,000,300**	–
CMHI - 14% owned in 2016	**17,500,000**	–	**17,500,000**	–
CMIT – 30.0% owned in 2016 and 2015	**29,999,800**	29,999,800	**29,999,800**	29,999,800
CLFC –19.0% owned in 2016 and 2015	**13,300,000**	13,300,000	**13,300,000**	13,300,000
CAMIA – 36.6% owned in 2016 and 2015	**10,735,500**	6,478,500	**10,735,500**	6,478,500
BotiCARD – 15.0% owned in 2016 and 2015	**3,750,000**	3,500,000	**3,750,000**	3,500,000
	453,944,401	381,937,101	**487,774,219**	412,888,239

(Forward)

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Accumulated equity in net earnings:				
Balance at beginning of year	**₱470,047,160**	₱301,469,809	**₱465,494,400**	₱300,735,898
Share in net income of associates and subsidiaries for the year	**323,764,472**	250,915,696	**325,250,575**	247,096,847
Dividends received	**(95,513,525)**	(82,338,345)	**(95,513,525)**	(82,338,345)
	698,298,107	470,047,160	**695,231,450**	465,494,400
Accumulated equity in other comprehensive income:				
Balance at beginning of year	**429,890**	12,824,159	**(500,517)**	12,824,159
Share in comprehensive income of associates and subsidiaries for the year	**6,574,690**	(12,394,269)	**6,856,595**	(13,324,676)
	7,004,580	429,890	**6,356,078**	(500,517)
	₱1,159,247,088	₱852,414,151	**₱1,189,361,747**	₱877,882,122

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, July 1, 2015 and July 11, 2016, the Parent Company acquired additional common shares totaling to ₱9.8 million that increased ownership interest in CMCL to 99.0%.

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, 2016 and 2015, the CARD SME Bank has existing twenty one (21) and fifteen (15) branches, respectively.

CARD Bank, 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 cater mainly to the consumer market.

CMIT was established primarily to provide CARD MRI's major information technology services. As a major service offered to its sister institutions, integrated solutions for microfinance and micro-insurance has become the area of specialization of CMIT.

CAMIA primarily engages in the business of selling life and nonlife insurance products and other related services.

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

RBI was established primarily to engage in the business of rural banking as defined and authorized under RA 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. Notwithstanding the Group’s ownership of less than 20.0%, CLFC was considered as an associate since the Group demonstrated significant influence in its economic decisions.

CMPH was established primarily to engage in the business of a holding company and to invest and acquire real property in accordance with the Corporation Code of the Philippines.

CMHI was registered with the SEC on January 29, 2016 primarily to acquire and hold investment shares of stocks, any bonds, debentures and securities, or obligations, created, negotiated or issued by any foreign or domestic corporation, association or other entity and to provide business support to its subsidiaries, affiliates and other related companies to continuously enhance service, compliance and productivity and core practices.

Except for CARD SME Bank, CAMIA, CMIT and RBI, the principal place of business of associates is in M. L. Quezon Street, City Subdivision, San Pablo City, Laguna. CARD SME Bank, CAMIA and CMIT’s principal place of business is located at 120 M. Paulino Street cor. Burgos Street, 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:

	2016	2015
CARD Bank	**₱51,734,235**	₱36,953,055
CARD SME Bank	**30,431,502**	33,812,780
RBI	**9,600,000**	8,320,000
CAMIA	**1,947,800**	1,808,850
CMIT	**1,799,988**	855,660
CLFC	–	588,000
Total	**₱95,513,525**	₱82,338,345

The following tables present the summarized financial information of associates as at and for the years ended December 31, 2016 and 2015:

	December 31, 2016								
	CARD SME Bank	**CARD Bank**	**CMIT**	**CAMIA**	**BotiCARD**	**RBI**	**CLFC**	**CMPH**	**CMHI**
Statement of assets, liabilities and fund balance									
Current assets	**₱2,985,813,976**	**₱2,071,380,441**	**₱68,786,797**	**₱15,958,758**	**₱29,651,081**	**₱439,543,982**	**₱61,661,398**	**₱31,176,465**	**₱22,143,677**
Noncurrent assets	**458,108,968**	**8,011,787,452**	**166,824,556**	**67,172,256**	**4,964,364**	**1,450,282,733**	**218,026,704**	**2,185,000**	**10,390,076**
Current liabilities	**2,567,591,227**	**6,391,905,250**	**49,584,186**	**36,131,813**	**2,609,903**	**1,007,730,845**	**102,497,574**	**1,067,027**	**3,835,201**
Noncurrent liabilities	**127,749,408**	**1,371,050,423**	**30,775,936**	**–**	**852,773**	**447,339,120**	**100,202,850**	**–**	**246,398**
Equity	**748,582,309**	**2,320,212,220**	**155,251,231**	**46,999,201**	**31,152,769**	**434,756,750**	**76,987,678**	**32,294,438**	**28,452,154**
Statement of revenue over expenses									
Gross income	**1,019,663,294**	**2,791,614,970**	**123,285,580**	**75,997,335**	**32,127,510**	**517,139,921**	**125,182,669**	**13,835**	**89,546**
Expenses	**702,668,458**	**1,903,635,187**	**26,794,856**	**51,708,275**	**29,975,924**	**260,625,549**	**105,603,191**	**1,067,130**	**2,150,786**
Net income (loss)	**178,948,327**	**674,209,038**	**16,835,527**	**16,947,002**	**2,238,099**	**159,793,964**	**13,359,337**	**(1,056,062)**	**(3,226,474)**
Statement of comprehensive income									
Other comprehensive income (loss)	**8,332,119**	**3,245,987**	**6,137,584**	**1,184,525**	**1,257,338**	**(925,724)**	**1,241,728**	**–**	**428,128**
Total comprehensive income (loss)	**187,280,446**	**677,455,025**	**22,973,111**	**18,131,527**	**3,495,437**	**158,868,240**	**14,601,064**	**(1,056,062)**	**(3,226,474)**

	December 31, 2015								
	CARD SME Bank	CARD Bank	CMIT	CAMIA	BotiCARD	RBI	CLFC	CMPH	CMHI
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	–	–
Equity	537,656,866	1,587,726,689	95,513,942	29,605,755	22,783,924	208,301,269	58,009,694	–	–
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 (loss)	93,790,327	507,115,993	9,852,134	10,235,861	(2,942,831)	68,386,374	6,448,281	–	–

14. Property and Equipment

The composition of and movements in this account follow:

	Consolidated				
	Land	**Building and Improvements**	**Transportation Equipment**	**Furniture and Equipment**	**Total**
2016					
Cost					
Balance at beginning of year	**₱51,983,523**	**₱68,333,491**	**₱65,494,506**	**₱105,402,994**	**₱291,214,514**
Additions	**3,110,927**	**140,489**	**68,400**	**7,603,328**	**10,923,144**
Disposals	**(375,334)**	**–**	**(7,829,842)**	**(14,384,415)**	**(22,589,591)**
Balance at end of year	**54,719,116**	**68,473,980**	**57,733,064**	**98,621,907**	**279,548,067**
Accumulated Depreciation and Amortization					
Balance at beginning of year	**–**	**47,455,843**	**64,693,114**	**82,097,069**	**194,246,026**
Depreciation and amortization	**–**	**5,806,421**	**392,676**	**13,546,352**	**19,745,449**
Disposals	**–**	**–**	**(7,829,842)**	**(14,382,950)**	**(22,212,792)**
Balance at end of year	**–**	**53,262,264**	**57,255,948**	**81,260,471**	**191,778,683**
Net Book Value	**₱54,719,116**	**₱15,211,716**	**₱477,116**	**₱17,361,436**	**₱87,769,384**

	Consolidated				
	Land	Building and Improvements	Transportation Equipment	Furniture and Equipment	Total
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	–	–	(1,661,805)	(2,342,970)	(4,004,775)
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

	Parent Company				
	Land	**Building and Improvements**	**Transportation Equipment**	**Furniture and Equipment**	**Total**
2016					
Cost					
Balance at beginning of year	**₱51,983,523**	**₱65,544,991**	**₱64,595,487**	**₱104,408,582**	**₱286,532,583**
Additions	**3,110,927**	**140,489**	**68,400**	**7,448,622**	**10,768,438**
Disposals	**(375,334)**	**–**	**(7,829,842)**	**(13,825,642)**	**(22,030,818)**
Balance at end of year	**54,719,116**	**65,685,480**	**56,834,045**	**98,031,562**	**275,270,203**
Accumulated Depreciation and Amortization					
Balance at beginning of year	**–**	**45,600,838**	**64,137,290**	**81,319,341**	**191,057,469**
Depreciation and amortization	**–**	**5,694,881**	**210,792**	**13,414,785**	**19,320,458**
Disposals	**–**	**–**	**(7,829,842)**	**(13,825,642)**	**(21,655,484)**
Balance at end of year	**–**	**51,295,719**	**56,518,240**	**80,908,484**	**188,722,443**
Net Book Value	**₱54,719,116**	**₱14,389,761**	**₱315,805**	**₱17,123,078**	**₱86,547,760**

	Parent Company				
	Land	Building and Improvements	Transportation Equipment	Furniture and Equipment	Total
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	19,982,032
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	–	–	(1,661,805)	(2,323,420)	(3,985,225)
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

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**	
	2016	2015	**2016**	2015
Project related expenses (Note 23)	**₱14,233,122**	₱15,098,219	**₱13,808,131**	₱15,098,219
Health program	**82,759**	799,835	**82,759**	799,835
Research program	**13,334**	14,889	**13,334**	14,889
Other expenses (Note 26)	**5,416,234**	5,444,666	**5,416,234**	5,092,394
	₱19,745,449	₱21,357,609	**₱19,320,458**	₱21,005,337

Loss on disposal of property and equipment of the Group and the Parent Company resulted to nil in 2016 and ₱4,867 in 2015, which is included under 'Miscellaneous expense' in the statement of revenue over expenses (Note 26).

As at December 31, 2016 and 2015, the cost of fully-depreciated assets still in use by the Group amounted to ₱96.5 million and ₱130.3 million, respectively.

The total cost of fully-depreciated assets still in use in the Parent Company's operations in 2016 and 2015 amounted to ₱96.5 million and ₱129.6 million, respectively.

As of December 31, 2016, land with carrying value of ₱9.5 million was used as collateral for interest-bearing borrowings (Note 19).

15. **Investment Properties**

The composition of and movements in this account follow:

	Consolidated		
	2016		
	Land	**Building and Improvements**	**Total**
Cost			
Balance at beginning of the year	**₱42,903,791**	**₱51,276,374**	**₱94,180,165**
Additions	**8,804,165**	**8,794,037**	**17,598,202**
Disposal	**(454,647)**	**–**	**(454,647)**
Balance at end of year	**51,253,309**	**60,070,411**	**111,323,720**
Accumulated Depreciation			
Balance at beginning of year	**–**	**40,197,660**	**40,197,660**
Depreciation and amortization	**–**	**2,526,775**	**2,526,775**
Balance at end of year	**–**	**42,724,435**	**42,724,435**
Allowance for impairment losses (Note 17)	**(5,022,589)**	**–**	**(5,022,589)**
Net Book Value	**₱46,230,720**	**₱17,345,976**	**₱63,576,696**

	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			
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	₱37,881,202	₱11,078,714	₱48,959,916

	Parent Company		
	2016		
	Land	**Building and Improvements**	**Total**
Cost			
Balance at beginning of the year	**₱24,832,507**	**₱51,276,374**	**₱76,108,881**
Additions	**8,746,309**	**8,794,037**	**17,540,346**
Balance at end of year	**33,578,816**	**60,070,411**	**93,649,227**
Accumulated Depreciation			
Balance at beginning of year	**–**	**40,197,660**	**40,197,660**
Depreciation	**–**	**2,526,775**	**2,526,775**
Balance at end of year	**–**	**42,724,435**	**42,724,435**
Allowance for impairment losses (Note 17)	**(5,022,589)**	**–**	**(5,022,589)**
Net Book Value	**₱28,556,227**	**₱17,345,976**	**₱45,902,203**

	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
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

The Parent Company leased properties to CARD Bank, CARD MBA, CARD BDSF, CMIT, CARD SME Bank, CMDI, CLFC, BotiCARD and MLNI. Rent income from investment properties included in 'Other income' in the statements of revenue over expenses amounted to ₱6.0 million and ₱5.7 million in 2016 and 2015, respectively (Note 26). Direct operating expenses on investment properties that generated rental income in 2016 and 2015 included under 'Depreciation and amortization', 'Taxes and licenses' and 'Insurance expense' amounted to ₱3.8 million and ₱3.3 million in 2016 and 2015, respectively.

Depreciation on investment properties amounted to ₱2.5 million and ₱2.6 million for 2016 and 2015, 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**	
	2016	2015	**2016**	2015
Financial assets				
Security deposit	**₱15,252,818**	₱1,000	**₱15,251,818**	₱–
Others	**13,194,160**	11,269,879	**13,194,160**	11,269,879
	28,446,978	11,270,879	**28,445,978**	11,269,879
Nonfinancial assets				
Prepaid expenses	**41,851,813**	31,870,028	**41,020,715**	31,479,680
Supplies on hand	**7,500**	12,868	**7,500**	3,870
Others	**2,388,766**	3,708,768	**2,388,766**	3,708,768
	44,248,079	35,591,664	**43,416,981**	35,192,318
	72,695,057	46,862,543	**71,862,959**	46,462,197
Allowance for impairment losses (Note 17)	**(504,864)**	(504,864)	**(504,864)**	(504,864)
	₱72,190,193	₱46,357,679	**₱71,358,095**	₱45,957,333

Other financial assets 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 security deposit on motorcycle and computers leased from CLFC.

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.

Other nonfinancial assets include properties in Bellavita, Laguna not held by the Organization for its operations nor for investment.

17. Allowance for Credit and Impairment Losses

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

	Consolidated 2016							
	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	**₱122,045,837**	**₱20,634,346**	**₱142,680,183**	**₱5,421,113**	**₱11,119,539**	**₱5,022,589**	**₱504,864**	**₱164,748,288**
Provision for (reversal of) credit and impairment losses	**(7,848,746)**	**892,304**	**(6,956,442)**	**(692,482)**	**(287,651)**	**–**	**–**	**(7,936,575)**
Accounts written-off	**(9,409,540)**	**(1,204,711)**	**(10,614,251)**	**(4,445,478)**	**(1,635,104)**	**–**	**–**	**(16,694,833)**
Reallocation	**(2,169,650)**	**–**	**(2,169,650)**	**–**	**2,169,650**	**–**	**–**	**–**
Balance at end of year	**₱102,617,901**	**₱20,321,939**	**₱122,939,840**	**₱283,153**	**₱11,366,434**	**₱5,022,589**	**₱504,864**	**₱140,116,880**
Individual impairment	**₱32,015,261**	**₱4,569,034**	**₱36,584,294**	**₱–**	**₱11,366,434**	**₱–**	**₱–**	**₱47,950,728**
Collective impairment	**70,602,640**	**15,752,905**	**86,355,546**	**283,153**	**–**	**5,022,589**	**504,864**	**92,166,152**
	₱102,617,901	**₱20,321,939**	**₱122,939,840**	**₱283,153**	**₱11,366,434**	**₱5,022,589**	**₱504,864**	**₱140,116,880**
Gross amounts of loans and receivables individually determined to be impaired, before deducting any individually assessed impairment losses	**₱32,015,261**	**₱4,569,034**	**₱36,584,294**	**₱–**	**₱11,366,434**			

	Consolidated 2015							
	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	₱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			

	Parent Company 2016						
	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	**₱122,121,058**	**₱20,430,545**	**₱142,551,603**	**₱11,099,644**	**₱5,022,589**	**₱504,864**	**₱159,178,700**
Provision for (reversal of) credit losses and impairment losses	**(8,131,796)**	**892,305**	**(7,239,491)**	**(495,045)**	**–**	**–**	**(7,734,535)**
Accounts written-off	**(9,409,540)**	**(1,000,910)**	**(10,410,450)**	**(1,407,815)**	**–**	**–**	**(11,818,266)**
Reallocation	**(2,169,650)**	**–**	**(2,169,650)**	**2,169,650**	**–**	**–**	**–**
Balance at end of year	**₱102,410,072**	**₱20,321,940**	**₱122,732,012**	**₱11,366,434**	**₱5,022,589**	**₱504,864**	**₱139,625,899**
Individual impairment	**₱32,015,261**	**₱4,569,034**	**₱36,584,295**	**₱11,366,434**	**₱–**	**₱–**	**₱47,950,729**
Collective impairment	**70,394,811**	**15,752,906**	**86,147,717**	**–**	**5,022,589**	**504,864**	**91,675,170**
	₱102,410,072	**₱20,321,940**	**₱122,732,012**	**₱11,366,434**	**₱5,022,589**	**₱504,864**	**₱139,625,899**
Gross amounts of loans and receivables individually determined to be impaired, before deducting any individually assessed impairment losses	**₱32,015,261**	**₱4,569,034**	**₱36,584,294**	**₱11,366,434**			

	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	₱31,790,459	₱11,099,644	₱–	₱–	₱42,980,103
Collective impairment	93,799,101	16,962,043	110,761,144	–	–	–	110,761,145
	₱122,121,058	₱20,430,545	₱142,551,603	₱11,099,644	₱–	₱–	₱153,651,248
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			

Summary of provisions for (reversals of) credit and impairment losses follows:

	Consolidated		**Parent Company**	
	2016	2015	**2016**	2015
Receivable from members	**(₱6,956,442)**	₱11,613,972	**(₱7,239,490)**	₱11,499,225
Finance and lease receivables	**(692,482)**	1,873,540	**–**	–
Other receivables	**(287,651)**	4,028,561	**(495,045)**	4,008,666
Total	**(₱7,936,575)**	₱17,516,073	**(₱7,734,535)**	₱15,507,891

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 at least ₱20.0 and ₱50.0 per week.

Administrative fee expenses related to ‘Due to Members’ amounted to ₱37.3 million and ₱42.9 million in 2016 and 2015, respectively (Note 8). 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 bearing annual interest rates ranging from 1.0% to 5.9% and 1.0% to 9.6% in 2016 and 2015, respectively, and are payable in annual, lump-sum and quarterly installments until 2020. Financing obtained from creditors are used to fund the Group’s project assistance receivable.

Total borrowings are secured by project assistance receivable amounting to ₱1.9 billion and ₱1.7 billion as of December 31, 2016 and 2015, respectively (Note 8), and land with carrying value of ₱9.5 million as of December 31, 2016 (Note 14).

The Group has available credit line on various financial institutions amounting to ₱1.6 billion and ₱1.0 billion as at December 31, 2016 and 2015, respectively.

20. Accounts Payable and Other Liabilities

This account consists of:

	Consolidated		**Parent Company**	
	2016	2015	**2016**	2015
Financial liabilities				
Accrued expenses	**₱216,546,212**	₱191,835,778	**₱215,783,523**	₱191,345,269
CARD Community Scholarship Program	**213,955,460**	179,604,883	**213,955,460**	179,604,883
Subscription payable	**53,324,100**	31,419,000	**53,324,100**	31,419,000
Funds held in trust	**56,756,534**	12,262,570	**49,901,195**	12,262,570
Accounts payable	**38,539,619**	33,261,376	**34,760,509**	28,966,660
Due to affiliates (Note 28)	**5,470,606**	6,577,019	**5,470,606**	6,575,211
Accrued interest	**3,769,979**	3,943,534	**2,406,032**	3,916,867
	588,362,510	458,904,160	**575,601,425**	454,090,460
Nonfinancial liabilities				
Withholding tax payable	**15,718,870**	4,622,984	**15,675,406**	4,582,253
Income tax payable	**158,703**	160,679	**74,799**	160,679
Others	**4,308,216**	867,301	**3,513,779**	90,545
	20,185,789	5,650,964	**19,263,984**	4,833,477
	₱608,548,299	₱464,555,124	**₱594,865,409**	₱458,923,937

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. Accruals for vacation leave of the Parent Company amounted to ₱78.8 million and ₱67.9 million in 2016 and 2015, respectively.

CARD Community Scholarship Program pertains to accruals of educational support to the Parent Company's members' children which is computed as 10% of the current year's revenue over expenses.

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

Other nonfinancial liability refers to statutory obligations (e.g., SSS, Philhealth and Pag-ibig) and VAT payable.

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					
	2016			2015		
	Within One Year	**Beyond One Year**	**Total**	Within One Year	Beyond One Year	Total
Financial Assets						
Cash and cash equivalents	**₱704,380**	**₱–**	**₱704,380**	₱880,589	₱–	₱880,589
Short-term investments	**369,842**	**–**	**369,842**	335,224	–	335,224
Receivables	**6,299,887**	**17,205**	**6,317,092**	5,020,932	14,207	5,035,139
AFS investments	**–**	**18,492**	**18,492**	–	16,324	16,324
Other assets	**28,447**	**–**	**28,447**	–	11,271	11,271
Nonfinancial Assets						
Investment in subsidiary and associates	**–**	**1,159,247**	**1,159,247**	–	852,414	852,414
Property and equipment	**–**	**279,548**	**279,548**	–	291,215	291,215
Investment properties	**–**	**111,324**	**111,324**	–	94,180	94,180
Retirement asset	**–**	**281,346**	**281,346**		107,102	107,102
Other assets	**41,842**	**2,386**	**44,228**	–	35,591	35,591
	₱7,444,398	**₱1,869,548**	**9,313,946**	₱6,236,745	₱1,422,304	7,659,049
Allowance for impairment and credit losses			**(137,947)**			(164,748)
Accumulated depreciation			**(234,503)**			(234,444)
Total Assets			**₱8,941,496**			₱8,941,495
Financial Liabilities						
Due to members	**₱2,914,802**	**₱–**	**₱2,914,802**	₱2,272,900	₱–	₱2,272,900
Borrowings	**1,640,400**	**215,301**	**1,855,701**	1,568,737	145,500	1,714,237
Accounts payable and accrued expenses	**588,362**	**–**	**588,362**	458,904	–	458,904
Nonfinancial Liabilities						
Accounts payable and accrued expenses	**20,186**	**–**	**20,186**	5,651	–	5,651
Retirement liability	**–**	**342**	**342**	–	1,060	1,060
Deferred tax liability	**–**	**353**	**353**	–	158	158
Total Liabilities	**₱5,163,750**	**₱215,996**	**₱5,379,746**	₱4,306,192	₱146,718	₱4,452,910

	Parent Company					
	2016			2015		
	Within One Year	**Beyond One Year**	**Total**	Within One Year	Beyond One Year	Total
Financial Assets						
Cash and cash equivalents	**₱670,484**	**₱–**	**670,484**	₱875,658	₱–	₱875,658
Short-term investments	**369,842**	**–**	**369,842**	335,224	–	335,224
Receivables	**6,262,950**	**16,311**	**6,279,261**	4,996,967	5,931	5,002,898
AFS investments	**–**	**18,492**	**18,492**	–	16,324	16,324
Other assets	**15,251**	**–**	**15,251**	–	11,270	11,270
Nonfinancial Assets						
Investment in subsidiary and associates	**–**	**1,189,361**	**₱1,189,361**	–	877,882	877,882
Property and equipment	**–**	**275,270**	**275,270**	–	286,533	286,533
Investment properties	**–**	**93,649**	**93,649**	–	76,109	76,109
Retirement asset	**–**	**281,346**	**281,346**	–	107,102	107,102
Other assets	**54,224**	**2,388**	**56,612**	–	35,191	35,191
	₱7,372,751	**₱1,876,817**	**9,249,568**	₱6,207,849	₱1,416,342	7,624,191
Allowance for impairment and credit losses			**(139,625)**			(159,179)
Accumulated depreciation			**(231,447)**			(231,255)
Total Assets			**₱8,878,496**			₱7,233,757
Financial Liabilities						
Accounts payable and accrued expenses	**₱575,601**	**₱–**	**₱575,601**	₱454,090	₱–	₱454,090
Due to members	**2,909,235**	**–**	**2,909,235**	2,271,838	–	2,271,838
Borrowings	**1,640,440**	**189,134**	**1,829,574**	1,566,237	145,500	1,711,737
Nonfinancial Liabilities						
Accounts payable and accrued expenses	**19,263**	**–**	**19,263**	4,834	–	4,834
Total Liabilities	**₱5,144,539**	**₱189,134**	**₱5,333,673**	₱4,296,999	₱145,500	₱4,442,499

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 (MERP) - covering all of their regular employees and CARD Group Employees' Retirement Plan (Hybrid Plan) applicable to employees hired on or after July 1, 2016. MERP is valued using the projected unit cost method and is financed solely by the Parent Company and its related parties.

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

The Hybrid Plan provides a retirement benefit equal to 100% of the member's employer accumulated value (the Parent Company's contributions of 8% plan salary to Fund A plus credited earnings) and 100% of the member's employee accumulated value (member's own contributions up to 10% of plan salary to Fund B plus credited earnings), if any. Provided that in no case shall 100% of the employer accumulated value in Fund A be less than 100% of plan salary for every year of credited service.

Total retirement expense in 2016 related to Hybrid Plan amounted to ₱1.8 million.

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

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

	Parent Company												
	2016												
		Net benefit cost in the statement of revenue over expenses					Remeasurements in other comprehensive income						
	January 1	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
Fair value of plan assets	**₱451,146,128**	**₱–**	**₱26,615,624**	**₱26,615,624**	**(₱1,886,369)**	**(₱13,199,274)**	**₱7,091,706**	**₱–**	**₱–**	**₱–**	**₱7,091,706**	**₱208,086,554**	**₱677,854,369**
Present value of defined benefit obligation	**(334,473,517)**	**(44,972,503)**	**(16,255,413)**	**(61,227,916)**	**1,886,369**	**13,199,274**	**–**	**(36,712,982)**	**74,721,786**	**–**	**38,008,804**	**–**	**(342,606,986)**
Effects of asset ceiling	**(9,570,487)**	**–**	**(465,126)**	**(465,126)**	**–**	**–**	**–**	**–**	**–**	**(43,865,912)**	**(43,865,912)**	**–**	**(53,901,525)**
Net defined benefit asset (liability)	**₱107,102,124**	**(₱44,972,503)**	**₱9,895,085**	**(₱35,077,418)**	**₱–**	**₱–**	**₱7,091,706**	**(₱36,712,982)**	**₱74,721,786**	**(₱43,865,912)**	**₱1,234,598**	**₱208,086,554**	**₱281,345,858**

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

	Parent Company												
	2015												
		Net benefit cost in the statement of revenue over expenses					Remeasurements in other comprehensive income						
	January 1	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
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
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)
Effects of asset ceiling	(262,750)	–	(11,719)	(11,719)	–	–	–	–	–	(9,296,018)	(9,296,018)	–	(9,570,487)
Net defined benefit asset (liability)	₱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*

RISE

2016

	January 1	**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**
		Net benefit cost in the statement of revenue over expenses					**Remeasurements in other comprehensive income**						
Fair value of plan assets	**₱325,878**	**₱–**	**₱20,847**	**₱20,847**	**₱–**	**(₱155,995)**	**(₱13,878)**	**₱–**	**₱–**	**₱–**	**(₱13,878)**	**₱265,094**	**₱441,946**
Present value of defined benefit obligation	**(1,386,252)**	**(141,866)**	**(75,967)**	**(217,833)**	**–**	**155,995**	**–**	**533,125**	**131,191**	**–**	**664,316**	**–**	**(783,774)**
Effects of asset ceiling	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net defined benefit asset (liability)	**(₱1,060,374)**	**(₱141,866)**	**(₱55,120)**	**(₱196,986)**	**₱–**	**₱–**	**(₱13,878)**	**₱533,125**	**₱131,191**	**₱–**	**₱650,438**	**₱265,094**	**(₱341,828)**

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

RISE

2015

	January 1	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
		Net benefit cost in the statement of revenue over expenses					Remeasurements in other comprehensive income						
Fair value of plan assets	₱221,696	₱–	₱16,814	₱16,814	₱–	₱–	(₱16,813)	₱–	₱–	₱–	(₱16,813)	₱–	₱325,878
Present value of defined benefit obligation	(325,877)	(78,237)	(21,213)	(99,450)	–	–	–	(484,054)	(476,871)	–	(960,925)	104,181	(1,386,252)
Net defined benefit asset (liability)	(₱104,181)	(₱78,237)	(₱4,399)	(₱82,636)	₱–	₱–	(₱16,813)	(₱484,054)	(₱476,871)	₱–	(₱977,738)	₱104,181	(₱1,060,374)

**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	
	2016	2015	**2016**	2015
Cash and cash equivalents	**₱281,764,290**	₱183,794,254	**₱281,580,705**	₱183,661,589
Investments:				
Debt securities	**332,627,321**	206,367,854	**332,419,783**	206,218,895
Mutual funds	**3,527,140**	3,521,481	**3,524,843**	3,518,940
Receivables	**51,220,564**	47,675,444	**51,178,005**	47,641,031
Others	**9,157,000**	10,112,973	**9,151,033**	10,105,673
Fair value of plan assets	**₱678,296,315**	₱451,472,006	**₱677,854,369**	₱451,146,128

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.

MERP 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, 2016. The principal assumptions used in determining pension for the defined benefit plan are shown below:

	Parent Company		RISE	
	2016	2015	**2016**	2015
Discount rate	**5.9%**	4.9%	**4.9%**	5.5%
Future salary increases	**7.0%**	7.0%	**7.0%**	10.0%

The average duration of the defined benefit retirement liability at the end of the reporting period ranges from 9.0 to 19.4 years for the Group and 19.4 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			
	2016		2015	
	Increase of 1.0%	**Decrease of 1.0%**	Increase of 1.0%	Decrease of 1.0%
Discount rate	**(₱74,785,982)**	**₱58,363,011**	(₱93,152,201)	₱86,414,947
Salary rate	**69,256,122**	**(55,604,806)**	86,387,346	(67,971,328)

	Parent Company			
	2016		2015	
	Increase of 1.0%	**Decrease of 1.0%**	Increase of 1.0%	Decrease of 1.0%
Discount rate	**(₱74,721,786)**	**₱58,304,450**	(₱70,780,936)	₱92,953,785
Salary rate	**69,201,686**	**(55,553,673)**	86,167,508	(67,789,089)

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

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Less than 1 year	**₱14,278,560**	₱–	**₱14,263,523**	₱–
More than 1 year to 5 years	**49,863,612**	6,858,826	**49,751,865**	6,858,826
More than 5 years to 10 years	**120,361,101**	25,529,203	**118,549,132**	22,731,993

The Group and the Parent Company plans to contribute ₱208.1 million to the defined benefit retirement plan in 2017.

23. Project Related Expenses

This account consists of:

	Consolidated	
	2016	2015
Salaries, wages and employee benefits (Note 22)	**₱1,178,613,757**	₱973,743,801
Transportation and travel	**330,380,385**	260,760,234
Staff training and development (Note 28)	**139,147,109**	127,218,128
Supplies and materials	**120,304,757**	101,438,949
Rental expenses (Note 27)	**107,819,721**	88,942,634
Janitorial, messengerial and security	**51,820,308**	28,410,542
Interest expense (Note 19)	**61,207,621**	42,858,867
Information technology (Note 28)	**41,013,807**	35,947,795
Program monitoring and evaluation	**32,860,390**	34,913,258
Utilities	**29,477,479**	25,102,658
Client training and development	**25,039,138**	26,810,889
Taxes and licenses	**18,103,084**	20,749,600
Depreciation and amortization (Note 14)	**14,233,122**	15,098,219
Communication and postage	**13,739,933**	15,168,510
Seminars and meetings	**8,788,163**	12,076,349
Repairs and maintenance	**6,971,468**	11,125,299
Insurance expense	**3,902,844**	4,906,606
Provision for credit and impairment losses (Note 17)	**(416,355)**	15,507,891
Others	**34,079,346**	28,286,317
	₱2,217,086,077	₱1,869,066,546

	Parent Company	
	2016	2015
Salaries, wages and employee benefits (Note 22)	**₱1,175,957,474**	₱973,743,801
Transportation and travel	**329,181,988**	260,760,234
Staff training and development (Note 28)	**139,090,815**	127,218,128
Supplies and materials	**119,773,603**	101,438,949
Rental expenses (Note 27)	**106,658,254**	88,942,634
Janitorial, messengerial and security	**51,820,308**	28,410,542
Interest expense (Note 19)	**61,126,543**	42,858,867
Information technology (Note 28)	**41,012,866**	35,947,795
Program monitoring and evaluation	**32,664,219**	34,913,258
Utilities	**29,388,046**	25,102,658
Client training and development	**25,039,138**	26,810,889
Taxes and licenses	**17,793,773**	20,749,600
Depreciation and amortization (Note 14)	**13,808,131**	15,098,219
Communication and postage	**13,575,435**	15,168,510
Seminars and meetings	**8,708,283**	12,076,349
Repairs and maintenance	**6,919,578**	11,125,299
Insurance expense	**3,811,202**	4,906,606
Provision for credit and impairment losses (Note 17)	**–**	15,507,891
Others	**33,051,647**	28,286,317
	₱2,209,381,303	₱1,869,066,546

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 2016 and 2015 amounted to ₱0.6 million and ₱0.9 million, respectively. The Parent Company's EAR expenses included under 'Other administrative expenses' in the statement of revenue over expenses amounted to ₱0.6 million and ₱0.8 million in 2016 and 2015, respectively (Note 26).

On November 3, 2015, RA No. 10693 otherwise known as "An Act Strengthening Nongovernment Organizations (NGOs) Engaged in Microfinance Operations for the Poor" (the "Microfinance NGOs Act" or the "Act") was approved and signed by the President of the Republic of the Philippines. The law was enacted by virtue of the policy of the State to pursue a program of poverty eradication wherein poor Filipino families shall be encouraged to undertake entrepreneurial activities to meet their minimum basic needs. The law shall apply to all NGOs with the primary purpose of implementing a microenterprise development strategy and providing microfinance programs, products and services for the poor. These shall be referred to as "Microfinance NGOs".

Under RA No.10693, a duly registered and accredited Microfinance NGO shall pay a two percent (2.00%) tax based on its gross receipts from microfinance operations in lieu of all national taxes. Provided, that preferential tax treatment shall be accorded only to NGOs whose primary purpose is microfinance and only on their microfinance operations catering to the poor and low-income individuals in alignment with the main goal of this Act to alleviate poverty. The non-microfinance activities of Microfinance NGOs shall be subject to all applicable regular taxes.

In August 16, 2016, the Implementing Rules and Regulations (the IRR) of the Microfinance NGOs Act was signed. The IRR provides for a transitional accreditation that upon effectivity of the Act, Microfinance NGOs which are certified by the SEC to have no derogatory information shall be deemed accredited for one (1) year, unless earlier revoked by the Council for good cause after review. The Parent Company obtained its certification from the SEC on August 2, 2016. Beginning September 2016, the Parent Company adopted the new law and paid income taxes based on the 2.00% of all its gross receipts from microfinance operations. Total amount of gross receipts from microfinance operations for the period September 1, 2016 to December 31, 2016, and income tax expense for the period amounted to ₱1,058.7 million and ₱21.2 million, respectively.

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

	Consolidated	
	2016	2015
Statutory income tax	**₱223,961,591**	₱171,143,812
Income tax effects of:		
Income subject to preferential tax of 2%	**(786,980,309)**	–
Expenses form tax exempt activities	**735,762,033**	616,069,863
Income from tax exempt activities	**(121,090,132)**	(711,460,016)
Nontaxable income	**(35,185,920)**	(76,947,148)
Nondeductible expenses	**7,517,745**	1,152,876
Change in unrecognized deferred tax asset	**(865,372)**	982,226
Income subject to final tax	**(542)**	(653)
	₱23,119,094	₱940,960

	Parent Company	
	2016	2015
Statutory income tax	**₱230,562,375**	₱169,027,180
Income tax effects of:		
Income subject to preferential tax of 2%	**(786,980,309)**	–
Expenses from tax exempt activities	**735,762,033**	616,069,863
Income from tax exempt activities	**(121,090,132)**	(710,242,633)
Nontaxable income	**(35,185,920)**	(74,129,054)
	₱23,068,047	₱725,356

As at December 31, 2016, the Group's deferred tax liabilities consist of ₱0.19 million arising from remeasurement gains on retirement liability of ₱0.65 million and ₱0.16 million pertaining to gain on foreclosure of investment properties in 2015.

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 the grants in profit or loss on a systematic basis over the periods in which the entity recognizes expenses for the related costs for which the grants are intended to compensate.

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

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Balance at beginning	**₱347,152,937**	₱331,648,354	**₱343,094,994**	₱331,648,354
Grants/donations during the year	**28,850,527**	15,504,583	**27,485,535**	11,446,640
Balance at end of the year	**₱376,003,464**	₱347,152,937	**₱370,580,529**	₱343,094,994

In 2016, Aboitiz Foundation, a new grantor, donated funds amounting to ₱21.7 million, of which ₱11.0 million was realized during the year, to establish two branches in Davao and Tiwi, Albay. The fund is subject to the condition that such shall be used solely as funding source for the microfinance loans to be granted to qualified applicants of the new branches.

26. **Other Income and Other Administrative Expenses**

Other income consists of:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Interest (Notes 6, 7, 10 and 11)	**₱9,251,601**	₱7,813,901	**₱9,246,186**	₱7,807,373
Rent (Notes 15 and 27)	**6,006,967**	5,690,762	**6,006,967**	5,690,762
Interest income on loans and receivables (Note 9)	**3,074,747**	3,891,513	**–**	–
Gain on sale of investment properties	**2,213,352**	–	**–**	–
Dividend income (Notes 12 and 28)	**418,880**	314,160	**418,880**	314,160

(Forward)

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Gain on foreclosure of investment properties	**₱–**	₱525,924	**₱–**	₱–
Other finance related services	**3,227,082**	2,035,809	**2,940,410**	2,035,809
Miscellaneous	**12,588,433**	681,719	**11,158,082**	467,558
	₱36,781,062	₱20,953,788	**₱29,770,525**	₱16,315,662

Other finance related services pertains to the recoveries of receivables previously written-off and cash overages.

Miscellaneous income includes interest income from convertible loan and other small value-income that are not recurring. In 2016, miscellaneous income includes reversal of provision of impairment losses amounting to ₱7.8 million.

Other administrative expenses consist of:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Salaries, wages and employee benefits (Note 22)	**₱36,794,828**	₱35,355,294	**₱36,794,828**	₱33,306,746
Depreciation and amortization (Notes 14 and 15)	**7,943,010**	8,024,307	**7,943,010**	7,672,035
Seminars and meetings	**7,708,595**	8,023,270	**7,708,595**	8,023,270
Management and other professional fees	**6,699,875**	2,100,848	**6,699,875**	1,610,498
Program monitoring and evaluation	**6,309,381**	6,834,940	**6,309,381**	6,630,736
Transportation and travel	**6,086,562**	8,191,157	**6,086,562**	7,428,010
Supplies and materials	**2,897,219**	2,971,146	**2,897,219**	2,487,357
Staff training and development	**1,304,720**	2,166,919	**1,304,720**	2,042,995
Taxes and licenses	**1,297,274**	3,623,634	**1,297,274**	3,271,243
Representation (Note 24)	**587,436**	877,648	**587,436**	809,744
Miscellaneous (Note 14)	**6,169,529**	10,240,113	**5,365,787**	4,122,763
	₱83,798,429	₱88,409,276	**₱82,994,687**	₱77,405,397

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

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 three (3) months to twenty four (24) months and are renewable upon mutual agreement between the Parent Company and the lessors. In 2016 and 2015, total 'Rental expense' under 'Project related expenses' amounted to ₱106.7 million and ₱88.9 million, respectively (Note 23).

The Group's future aggregate minimum lease payments within one year and after one year but within five years in 2016 and 2015 under non-cancelable operating leases amounted to ₱27.6 million and ₱0.1 million and ₱17.4 million and ₱0.1 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 2016 and 2015 amounted to ₱6.0 million and ₱5.7 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	
	2016	2015	**2016**	2015
Aggregate minimum rentals receivable	**₱5,965,813**	₱5,402,653	**₱4,613,862**	₱11,182,247

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 employees; 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	
	2016	2015	**2016**	2015
Short-term employee benefits	**₱28,939,322**	₱27,263,413	**₱27,923,005**	₱26,702,206
Post-employment benefits	**7,244,887**	13,000,920	**6,808,592**	12,873,480
	₱36,184,209	₱40,264,333	**₱34,731,597**	₱39,575,686

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 parties 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, 2016 and 2015 follow:

	December 31, 2016		
Category	**Amount/Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Associates:			
Cash and cash equivalents		**₱155,176,886**	These are savings, checking and time deposit accounts with annual interest rates ranging from 1.5% to 4.0%.
Deposits	**₱670,390,342**		
Withdrawals	**(654,614,690)**		
Due to affiliates		–	The amount represents the Parent Company's share of expenses still payable to the associates.
Billings	**15,709,389**		
Payments	**(16,335,862)**		
Due from affiliates		**1,011,470**	The amount represents the associates' share of expenses still payable to the Parent Company.
Billings	**24,402,703**		
Collections	**(23,482,946)**		
Other related parties:			
Due to affiliates		**5,470,606**	The amount represents the Parent Company's share of expenses still payable to the affiliates.
Billings	**19,519,809**		
Payments	**(19,999,749)**		
Due from affiliates		**801,854**	The amount represents the affiliates' share of expenses still payable to the Parent Company.
Billings	**8,440,920**		
Collections	**(11,529,616)**		

	December 31, 2015		
Category	Amount/Volume	Outstanding Balance	Nature, Terms and Conditions
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)		

Others

Other related party transactions of the Group are as follows:

	2016	2015	Nature, Terms and Conditions
Statement of Assets, Liabilities and Fund Balance			
Associates:			
Short-term investments	**43,895,039**	25,000,000	
Finance lease receivable	**5,301,157**	5,243,978	These pertain to unsecured lease contracts covering various equipment with annual average effective interest rate range of 15.52% to 16.19% and maturity of four years that are subjected to collective impairment.
AFS investment	**2,618,000**	2,618,000	This pertains to investment in preferred shares of CARD Bank (13,090 shares at 200 per share).
Investment in associates	**1,159,247,088**	852,414,151	This refers to investment in common shares of associates.
Dividend received	**95,513,525**	82,338,345	Share of dividend from investment in associates.
Subscription payable	**53,324,100**	15,739,000	Represents payable for the shares of stock.
Other related parties:			
Unearned rent income	**–**	101,052	This pertains to unearned income from premises rented out by the Parent Company to CARD BDSF.
Statement of Comprehensive Income			
Associates:			
Equity in net earnings	**₱323,764,471**	₱250,915,696	Equity share in net income of associates (Note 13).
Leasing income	**872,808**	275,257	These pertain to the leasing income from finance lease receivable.
Interest income	**2,710,899**	1,489,276	These are interest earned by savings, time deposit and short-term investment accounts of the Group.
Dividend income	**418,880**	314,160	This pertains to dividends earned from preferred shares AFS investment of the Group.
Rent income	**5,439,651**	5,050,658	These are income earned from premises rented out by the Parent Company to other CARD MRI institutions.
Information technology	**29,281,477**	36,171,221	This pertains to the CMIT's rendered services in relation to system maintenance agreement (Note 23).
Other related parties:			
Rent income	**567,316**	640,104	These are income earned from premises rented out by the Parent Company to other CARD MRI institutions.
Seminars and training	**110,581,150**	80,851,842	These are trainings and development costs for 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	**16,462**	132,337	This pertains to interest earned by the Parent Company from loans granted to CARD BDSF.
Grants and donations	**20,000,000**	25,000,000	These are grants and donations provided for by the Parent Company as assistance for the operations of other CARD MRI institutions.

Other related party transactions include:

a. The Parent Company entered into a usufruct agreement with CMDI. The grant of the usufruct was made by the Parent Company without consideration and for the purpose of assisting CMDI in its objective of pursuing the development of microfinance in the country. The usufruct shall be for a period of ten years from May 12, 2008 to April 30, 2018, 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.

Related party transactions of the Parent Company and subsidiaries are as follows:

	December 31, 2016		
Category	**Amount/Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Due from affiliates		**₱–**	The amount represents RISE's share of expenses still payable to the Parent Company.
Billings	**₱10,089**		
Collections	**(10,089)**		
Investment in subsidiaries		**30,114,659**	This refers to investment in common shares of RISE and CARD Myanmar Company Limited.

	December 31, 2015		
Category	Amount/Volume	Outstanding Balance	Nature, Terms and Conditions
Due from affiliates		₱3,218	The amount represents RISE's share of expenses still payable to the Parent Company.
Billings	₱135,975		
Collections	(135,975)		
Investment in subsidiaries		25,467,971	This refers to investment in common shares of RISE and CARD Myanmar Company Limited.

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, 2016 and 2015, receipts of rental income amounting to ₱6.0 million and ₱5.7 million, respectively, are appropriated, bringing the total appropriation to ₱87.5 million and ₱81.5 million as at December 31, 2016 and 2015, 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 18, 2017.

31. Supplementary Information Required Under Revenue Regulations 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010 to amend certain provisions of RR 21-2002 which provides that starting 2010, the notes to the financial statements shall include information on taxes and licenses paid or accrued during the year.

The Parent Company reported and/or paid the following taxes in 2016:

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

Business permits and licenses	₱10,912,797
Documentary stamp tax	6,728,884
Real property tax	702,029
Community tax certificate	127,932
Others	619,405
	₱19,091,047

Withholding taxes in 2016 are categorized into:

	Paid	Accrued
Compensation and benefits	₱32,015,374	₱4,030,018
Percentage tax	15,073,180	6,976,690
Expanded withholding tax - rent expense	7,897,917	687,726
Expanded withholding tax - others	3,167,507	529,283
Final income taxes	1,390,231	567,080
Expanded withholding tax - professional fee	1,296,682	84,310
Final income taxes - interest on CBU	–	2,800,299
	₱60,840,891	₱15,675,406

Tax Assessment

The Parent Company has no pending tax cases or assessments as of December 31, 2016.