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

(A Nonstock, Not-for-Profit Association)

Financial Statements
December 31, 2014 and 2013

and

Independent Auditors' Report

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

A 1 9 9 9 - 1 5 7 5 0

Company Name

CENTER FOR AGRICULTURE AND RURAL DEVELOPMENT (CARD) MUTUAL BENEFIT ASSOCIATION, INC. (A Nonstock, Not-for-Profit Association)

Principal Office (No./Street/Barangay/City/Town/Province)

Colago Avenue, Barangay 1-A, San Pablo City, Laguna

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
cardmba9999@cardbankph.com	(049) 562-2878	(0928) 520-5769

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
N/A	7/9	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
May S. Dawat	may.dawat@cardbankph.com	(049) 562-2878	(0928) 520-5769

Contact Person's Address

Colago Avenue, Barangay 1-A, San Pablo City, Laguna

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

SGVFS009531

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

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

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Center for Agriculture and Rural Development (CARD)
Mutual Benefit Association, Inc.
Colago Avenue, Barangay 1-A
San Pablo City, Laguna

Report on the Financial Statements

We have audited the Association's financial statements of Center for Agriculture and Rural Development (CARD) Mutual Benefit Association, Inc., (a nonstock, not-for-profit association) which comprise the statements of financial position as at December 31, 2014 and 2013, and the statements of comprehensive income, statements of changes in fund balance and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Center for Agriculture and Rural Development (CARD) Mutual Benefit Association, Inc. as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Tax Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 32 to the financial statements 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) Mutual Benefit Association, 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.

Bernalette L. Ramos
Partner
CPA Certificate No. 0091096
SEC Accreditation No. 0926-AR-1 (Group A),
April 15, 2013, valid until April 14, 2016
Tax Identification No. 178-486-666
BIR Accreditation No. 08-001998-81-2012,
June 19, 2012, valid until June 18, 2015
PTR No. 4751347, January 6, 2015, Makati City

March 23, 2015

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Center for Agriculture and Rural Development (CARD)
Mutual Benefit Association, Inc.

Report on the Financial Statements

We have audited the Association's financial statements of Center for Agriculture and Rural Development (CARD) Mutual Benefit Association, Inc., (a nonstock, not-for-profit association) which comprise the statements of financial position as at December 31, 2014 and 2013, and statements of comprehensive income, statements of changes in fund balance and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Center for Agriculture and Rural Development (CARD) Mutual Benefit Association, Inc. as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Tax Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 32 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Center for Agriculture and Rural Development (CARD) Mutual Benefit Association, 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.

Bernalette L. Ramos
Partner
CPA Certificate No. 0091096
SEC Accreditation No. 0926-AR-1 (Group A),
April 15, 2013, valid until April 14, 2016
Tax Identification No. 178-486-666
BIR Accreditation No. 08-001998-81-2012,
June 19, 2012, valid until June 18, 2015
PTR No. 4751347, January 6, 2015, Makati City

March 23, 2015

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

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

INDEPENDENT AUDITORS' REPORT
TO ACASSOCIATION INCOME TAX RETURN

The Board of Trustees
Center for Agriculture and Rural Development (CARD)
Mutual Benefit Association, Inc.
Colago Avenue, Barangay 1-A
San Pablo City, Laguna

We have audited the financial statements of Center for Agriculture and Rural Development (CARD) Mutual Benefit Association, Inc. (the Association) as at and for the year ended December 31, 2014, on which we have rendered the attached report dated March 23, 2015.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the principal officers or members of the Board of Trustees of the Association.

SYCIP GORRES VELAYO & CO.

Bernalette L. Ramos
Partner
CPA Certificate No. 0091096
SEC Accreditation No. 0926-AR-1 (Group A),
April 15, 2013, valid until April 14, 2016
Tax Identification No. 178-486-666
BIR Accreditation No. 08-001998-81-2012,
June 19, 2012, valid until June 18, 2015
PTR No. 4751347, January 6, 2015, Makati City

March 23, 2015

SGVFS009531

CENTER FOR AGRICULTURE AND RURAL DEVELOPMENT (CARD) MUTUAL BENEFIT ASSOCIATION, INC.
(A Nonstock, Not-for-Profit Association)

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2014	2013
ASSETS		
Cash and Cash Equivalents (Notes 6 and 28)	**₱275,692,723**	₱642,567,435
Short-term Investments (Notes 7 and 28)	**168,257,482**	240,980
Long-term Investments (Note 8 and 28)	**72,681,045**	72,681,045
Financial Assets		
Held-to-maturity investments (Notes 12, 28 and 30)	**5,104,317,821**	3,741,083,915
Available-for-sale financial assets (Notes 11 and 28)	**509,658,294**	514,082,289
Loans and receivables (Notes 9 and 28)	**159,972,193**	230,184,389
Financial assets at fair value through profit or loss (Notes 10 and 28)	**20,180,000**	21,040,000
Property and Equipment - net (Note 13)	**240,021,459**	139,431,853
Investment Properties (Note 14)	**36,780,456**	–
Investments in Associates (Note 15)	**268,288,962**	285,066,224
Pension Asset - net (Note 27)	**12,633,123**	–
Other Assets (Notes 16)	**8,280,388**	8,238,374
	₱6,876,763,946	₱5,654,616,504
LIABILITIES AND FUND BALANCE		
Liabilities		
Insurance contract liabilities (Note 18)	**₱3,320,191,416**	₱2,751,822,296
Retirement savings fund (Note 19)	**1,963,727,108**	1,580,623,648
Accounts payable and accrued expenses (Notes 17 and 28)	**110,176,583**	70,602,938
Pension liability - net (Note 27)	–	33,621,946
Total Liabilities	**5,394,095,107**	4,436,670,828
Fund Balance		
Appropriated fund balance (Notes 12 and 30)	**142,580,190**	217,349,164
Unappropriated fund balance	**1,285,160,743**	989,991,384
Other comprehensive income	**54,927,906**	10,605,128
Total Fund Balance	**1,482,668,839**	1,217,945,676
	₱6,876,763,946	₱5,654,616,504

See accompanying Notes to Financial Statements.

CENTER FOR AGRICULTURE AND RURAL DEVELOPMENT (CARD) MUTUAL BENEFIT ASSOCIATION, INC.
(A Nonstock, Not-for-Profit Association)

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2014	2013
REVENUE		
Gross premiums on insurance contracts (Note 20)	**₱1,552,346,799**	₱1,343,002,574
Reinsurance' share on gross earned premium on insurance contracts (Note 20)	**(1,074,000)**	–
Net premiums on insurance contracts	**1,551,272,799**	1,343,002,574
Interest income (Notes 6, 7, 8, 9 and 21)	**165,034,017**	167,384,792
Dividend income (Note 11)	**29,010,638**	26,351,243
Surrender charge	**16,249,632**	14,715,550
Rental income (Note 14, 22 and 25)	**1,250,934**	–
Fair value gains from financial assets at fair value through profit or loss (Note 10)	–	780,000
Reversal of provision for impairment losses (Note 9)	–	1,136,911
Contribution income - AKAP	–	374,770
Equity in net earnings of associates (Note 15)	–	4,409,184
Others	**3,064,783**	417,066
Other revenue	**214,610,004**	215,569,516
	1,765,882,803	1,558,572,090
BENEFITS, CLAIMS AND EXPENSES		
Gross change in insurance contract liabilities (Note 18)	**568,369,120**	503,908,891
Gross insurance contract benefits and claims paid	**600,820,853**	510,203,495
Insurance benefits claims	**1,169,189,973**	1,014,112,386
General and administrative expenses (Note 24)	**275,750,142**	264,266,082
Equity in net losses of associates - net (Note 15)	**16,125,810**	–
Fair value losses from financial assets at fair value through profit or loss (Note 10)	**860,000**	
Access fees (Note 23)	–	818,452
Expenses and losses	**292,735,952**	265,084,534
	1,461,925,925	1,279,196,920
EXCESS OF REVENUE OVER EXPENSES BEFORE PROVISION FOR FINAL TAX	**303,956,878**	279,375,170
PROVISION FOR FINAL TAX	**(32,736,004)**	(33,400,624)
EXCESS OF REVENUE OVER EXPENSES	**271,220,874**	245,974,546

(Forward)

	Years Ended December 31	
	2014	2013
EXCESS OF REVENUE OVER EXPENSES	**₱271,220,874**	₱245,974,546
OTHER COMPREHENSIVE INCOME		
Item that will be reclassified to profit or loss in subsequent periods (Note 11)		
Fair value gains on available-for-sale financial assets	**3,076,005**	13,703,658
Items that will not be reclassified to profit or loss in subsequent periods (Notes 15 and 27)		
Remeasurement gain (loss) on defined benefit plan	**38,969,481**	(1,099,433)
Equity in other comprehensive income of an associate	**2,277,292**	–
TOTAL COMPREHENSIVE INCOME	**₱315,543,651**	₱258,578,771

See accompanying Notes to Financial Statements.`

CENTER FOR AGRICULTURE AND RURAL DEVELOPMENT (CARD) MUTUAL BENEFIT ASSOCIATION
(A Nonstock, Not-for-Profit Association)

STATEMENTS OF CHANGES IN FUND BALANCE

	Appropriated Fund Balance (Note 30)	Unappropriated Fund Balance	Reserve for Fluctuation in Value of Available-for-Sale Financial Assets (Note 11)	Remeasurement of Actuarial Gains/Losses (Note 27)	Equity in other comprehensive income of an associate (Note 15)	Total Other Comprehensive Income	Total
At January 1, 2014	**₱217,349,164**	**₱989,991,384**	**₱39,784,692**	**(₱29,179,564)**	**₱–**	**(₱29,179,564)**	**₱1,217,945,676**
Appropriation during the year (Notes 12 and 30)	**66,500,000**	**(66,500,000)**	–	–	–	–	–
Reversal of appropriation	**(90,448,485)**	**90,448,485**	–	–	–	–	–
Utilization of appropriation	**(50,820,489)**				–	–	**(50,820,489)**
Excess of revenue over expenses	–	**271,220,874**	–	–	–	–	**271,220,874**
Other comprehensive income (Notes 11 and 27)	–	–	**3,076,005**	**39,149,481**	**2,277,292**	**41,426,773**	**44,322,778**
Total comprehensive income	–	**271,220,874**	**3,076,005**	**39,149,481**	**2,277,292**	**41,426,773**	**315,543,652**
Balance at December 31, 2014	**₱142,580,190**	**₱1,285,160,743**	**₱42,860,697**	**₱9,969,917**	**₱2,277,292**	**₱12,247,209**	**₱1,482,668,839**
At January 1, 2013	₱193,909,179	₱835,716,838	₱26,081,034	(₱28,080,131)	₱–		₱1,027,626,920
Appropriation during the year (Notes 12 and 30)	91,700,000	(91,700,000)	–	–	–		–
Utilization of appropriation	(68,260,015)	–	–	–	–		(68,260,015)
Excess of revenue over expenses	–	245,974,546	–	–	–		245,974,546
Other comprehensive income (Notes 11 and 27)	–	–	13,703,658	(1,099,433)	–		12,604,225
Total comprehensive income	–	245,974,546	13,703,658	(1,099,433)	–		258,578,771
Balance at December 31, 2013	₱217,349,164	₱989,991,384	₱39,784,692	(₱29,179,564)	₱–		₱1,217,945,676

See accompanying Notes to Financial Statements.

CENTER FOR AGRICULTURE AND RURAL DEVELOPMENT (CARD) MUTUAL BENEFIT ASSOCIATION, INC.
(A Nonstock, Not-for-Profit Association)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses before provision for final tax	**₱303,956,878**	₱279,375,170
Adjustments for:		
Increase in aggregate reserves (Note 18)	**568,369,120**	503,908,891
Amortization of bond premium (discount) (Note 12)	**24,583,735**	(5,634,562)
Provision (reversal of provision) for impairment losses (Note 9)	**16,449,145**	(1,136,911)
Equity in net losses (earnings) of an associate - net (Note 15)	**16,125,810**	(4,409,185)
Depreciation (Notes 13 and 14)	**5,598,410**	5,521,528
Fair value losses (gains) from financial assets at fair value through profit or loss (Note 10)	**860,000**	(780,000)
Loss on disposal of asset (Note 13)	**–**	253,262
Interest income	**(165,372,517)**	(167,003,125)
Cash generated from operations before changes in working capital	**770,570,581**	610,095,068
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Loans and receivables	**32,315,427**	(146,318,492)
Other assets	**(42,014)**	(545,266)
Increase (decrease) in:		
Retirement savings fund	**383,103,460**	343,928,767
Accounts payable and accrued expenses	**39,573,645**	(92,988,139)
Net pension liability	**(7,285,588)**	4,532,272
Utilization of appropriation	**(50,820,489)**	(68,260,015)
Net cash generated from operations	**1,167,415,022**	650,444,195
Final taxes paid	**(32,736,004)**	(33,400,624)
Net cash flows provided by operating activities	**1,134,679,018**	617,043,571
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**159,215,703**	167,946,256
Cash dividends received (Notes 11 and 15)	**30,588,438**	3,274,510
Acquisitions of:		
Held-to-maturity investments (Note 12)	**(1,643,543,090)**	(832,256,047)
Property and equipment (Note 13)	**(142,968,472)**	(76,498,499)
Investments in associates (Note 15)	**(55,256)**	(261,483,896)
Available-for-sale financial assets (Note 11)	**–**	(35,566,400)
Proceeds from sale/maturities of:		
Held-to-maturity investments (Note 12)	**255,725,449**	225,441,057
Available-for-sale financial assets (Note 11)	**7,500,000**	7,500,000
Increase in short-term investments (Note 7)	**(168,016,502)**	(2,537,848)
Net cash flows used in investing activities	**(1,501,553,730)**	(804,180,867)

(Forward)

	Years Ended December 31	
	2014	2013
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(366,874,712)**	(187,137,296)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**642,567,435**	829,704,731
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱275,692,723**	₱642,567,435

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Center for Agriculture and Rural Development (CARD) Mutual Benefit Association, Inc. (the Association) was registered with the Securities and Exchange Commission (SEC) as a nonstock, not-for-profit association on October 29, 1999. It was granted a license by the Insurance Commission (IC) on May 22, 2001 to engage as a mutual benefit association that extends benefits and services for the welfare and financial security of its members and their families in the form of death benefits, medical subsidy, pension and loan redemption assistance and ensuring continued access to benefits and resources. The Association actively involves the members in the direct management of the Association including the implementation of policies and procedures geared towards sustainability and improved services.

As a nonstock, not-for-profit and mutual benefit association, the Association was granted tax exemption with respect to income and value-added taxes as provided under the National Internal Revenue Code of 1997 as amended by Republic Act 8424 known as the Comprehensive Tax Reform Program by the Bureau of Internal Revenue.

The registered office address of the Association is located at Colago Avenue, Barangay 1-A, San Pablo City, Laguna.

The accompanying financial statements of the Association were authorized for issue by the Board of Trustees on March 23, 2015.

2. Basis of Preparation

The Association's financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVPL) and available-for-sale (AFS) financial assets which have been measured at fair value. The financial statements are presented in Philippine Peso (₱), which is the Association's functional and presentation currency. All amounts are rounded to the nearest peso, unless otherwise indicated.

<u>Statement of Compliance</u>
The financial statements of the Association have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

3. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial years except for the adoption of the following amended PFRSs which became effective beginning January 1, 2014.

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief. These amendments did not have an impact to the Association since it has no investment in subsidiaries.

- PAS 32*, Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
  These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. These amendments did not have an impact on the Association since it does not offset its financial instruments.

- *PAS 39, Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments did not have an impact on the Association's financial position or performance as it is not engaged in derivatives and hedge accounting.

- *PAS 36, Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments did not have an impact on the Association's financial statement since it has no goodwill allocated to a cash generating unit or intangible asset with indefinite useful life.

- Philippine Interpretation IFRIC 21*, Levies (IFRIC 21)*
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21 This interpretation did not have impact on the Association's financial statement as it has applied the recognition principles under *PAS 37, Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirement of IFRC 21 in prior years.

Annual Improvements to PFRSs (2010-2012 cycle)
The annual improvements to PFRS (2010 - 2012 cycle) contain non-urgent but necessary amendment to the following standard:

- PFRS 13, *Fair Value Measurement*
  The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment did not have an impact on the Association's financial position or performance since the its policy is already consistent with the amendment.

Annual Improvements to PFRSs (2011-2013 cycle)
The annual improvements to PFRS (2011 - 2013 cycle) contain non-urgent but necessary amendment to the following standard:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - First-time Adoption of PFRS*
  The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no impact on the Association as it is not a first time PFRS adopter.

<u>Future Changes in Accounting Policies</u>
The Company will adopt the following new and amended standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Association does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on the financial statements.

Effective in 2015

- PAS 19*, Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments)
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Association, since the entity has no defined benefit plans with contributions from employees or third parties.

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

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

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

This amendment does not apply to the Association as it has no share-based payment.

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

- PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The amendments are applied retrospectively and clarify that:
  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

  The amendments will have no impact on the Association's financial position or performance since it is not required to disclose operating segments.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation* (Amendment)
The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment will not have an impact on the Association's financial position or performance since it does not carry its property and equipment at revalued amount.

- PAS 24, *Related Party Disclosures - Key Management Personnel* (Amendment)
The amendment clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel

services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments will not have an impact on the Association's financial position or performance.

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

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment will have no impact on the Association's financial statements since it has not entered into any joint arrangements.

- PFRS 13*, Fair Value Measurement - Portfolio Exception*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment will have no impact on the Association's financial position or performance since its accounting policy is already consistent with the improvement.

- PAS 40*, Investment Property*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The Association shall consider this amendment for future acquisition of investment property.

Effective in 2016

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

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

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

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

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

effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Association since it does not expect to enter into any joint arrangements.

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

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

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The amendment will not have an impact to the Association's financial statements since it does not have noncurrent assets held for sale nor any discontinued operations.

- PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. The amendment will not have an impact on the Association's financial statements since it does not offer servicing contracts that involves continuing involvement in a derecognized financial asset.

- PFRS 7 - *Applicability of the Amendments to* PFRS 7 *to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report. The amendment will not have any impact on the Association's financial position and performance since it does not offset its financial instruments.

- PAS 19, *Employee Benefits – regional market issue regarding discount rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendment will not have an impact on the Association's financial statements since its policy is already consistent with the amendment.

- *PAS 34, Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The amendment will not have an impact on the Association's financial statements since it is not required to prepare interim financial statements.

Effective in 2018

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

  The adoption of PFRS 9 is not expected to have any significant impact on the Association's financial statements since it is not involved in any hedging transactions.

Interpretation with Deferred Effective Date

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final revenue standard against the practices of the Philippine real estate industry is completed. This interpretation is not relevant to the Association since it does not engage in the construction of real estate directly or indirectly through subcontractor.

Standard issued but not yet adopted by Financial Reporting Standards Council

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

structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Association is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

4. Summary of Significant Accounting Policies

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and that are subject to an insignificant risk of changes in value.

Short-term Investments
Short-term investments are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of more than three months but less than one year from dates of placement. These earn interests at the respective short-term investment rates.

Long-term Investments
Long-term investments are non-current assets that are not used in operating activities to generate revenues. In other words, long-term investments are assets that are held for more than one year or accounting period and are used to create other income outside of the normal operations of the Association.

Financial Instruments
Date of recognition
Financial instruments are recognized in the statement of assets, liabilities and fund balance when the Association becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial recognition of financial instruments
Financial instruments are initially recognized at fair value of the consideration given (in case of an asset) or received (in case of a liability). Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Association classifies its financial assets in the following categories: held-to-maturity (HTM) investments, AFS investments, FVPL investments and receivables. The Association classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. 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 end of the reporting period.

Fair Value Measurement

The company measures financial instruments at fair value. Also, fair values of financial instruments measured at amortized cost and non-financial assets and as investment property carried at cost are disclosed in Note 28.

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

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

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 Association 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 Association 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.

Day 1 profit
Where the transaction price in a non-active market is different to 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 Association recognizes the difference between the transaction price and fair value (a Day 1 profit) in the statement of comprehensive income. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Association determines the appropriate method of recognizing the Day 1 profit amount.

Loan and receivables
Receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which the Association has no intention of trading. Receivables are carried at amortized cost using the EIR method, reduced by allowance for

impairment losses. Gains and losses are recognized in the statement of comprehensive income when the receivables are derecognized or impaired based on comparison with fair value.

Financial assets or financial liabilities at FVPL
This category consists of financial assets or financial liabilities that are held for trading or designated by management as at FVPL on initial recognition. Derivative instruments, except those covered by hedge accounting relationships, are also classified under this category.

Financial assets or financial liabilities at FVPL are recorded in the Association's statement of financial position at fair value, with changes in fair value being recorded under "Fair value gains from financial assets at FVPL" account in the association statement of comprehensive income.

Financial assets or financial liabilities are classified in this category are designated by management on initial recognition when any of the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

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

These investments are initially recorded at cost, being the fair value of the consideration paid for the acquisition of the investment, including all transaction costs directly attributable to the acquisition. After initial recognition, AFS financial assets are subsequently measured at fair value. Interest earned on holding AFS financial assets are reported as interest income using the EIR. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported as "Reserve for fluctuation in value of AFS financial assets" (net of tax, where applicable) in the other comprehensive income in the fund balance section of the Association's statement of financial position. When the security is disposed of, the cumulative gains or losses previously recognized in equity is recognized in the Association's statement of comprehensive income.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any allowance for impairment losses. Dividends earned on holding AFS financial assets are recognized in the Association's statement of comprehensive income when the right of payment has been established.

The losses arising from impairment of such investments are recognized as “Provision for impairment losses” included under “Operating expenses” in the Association’s statement of comprehensive income.

As of December 31, 2014, AFS financial assets include investment in mutual fund and investment in unquoted and quoted preferred shares. Investments in mutual fund are initially recorded at fair value and revalued at year end in reference to published net asset value. The investments in quoted and unquoted preferred shares are initially recorded at cost, being the fair value of the investment at the time of acquisition. The investment in unquoted preferred shares is carried at cost due to the unpredictable nature of future cash flows and the lack of other suitable methods of arriving at a reliable fair value. The investments in quoted preferred shares are carried at their market values.

HTM investments
HTM investments are non-derivative financial assets that comprise fixed or determinable income securities of which the Association has the positive intension and ability to hold until maturity. Investments intended to be held for an undefined period are not included in this classification. These investments are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. Subsequent to initial recognition, these investments are carried at amortized cost, using the effective interest rate (EIR) method. The cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the EIR method of any difference between the initially recognized amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the EIR, transaction costs and all other premiums and discounts. Gains and losses are recognized in the statement of comprehensive income when the investments are derecognized or impaired, as well as through the amortization process. These investments represent debt securities where the Association has the positive intent and financial capability to hold to maturity.

Other financial liabilities
Issued financial instruments or their components, which are not designated at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Association having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR 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.

This accounting policy applies primarily to the Association’s “Accounts payable and accrued expenses”, “Retirement savings fund” and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable and pension liability).

Classification of Financial Instruments Between Debt and Equity
A financial instrument is classified as debt if it provides for a contractual obligation to:

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

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

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.

Offsetting
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment of Financial Assets
An assessment is made at each reporting date as to whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognized in the statement of comprehensive income.

Assets carried at amortized cost
If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced through use of an allowance account. The amount of the loss shall be recognized in the statement of comprehensive income.

The Association first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. 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 of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets carried at cost
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, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the 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.

AFS financial assets
If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the statement of comprehensive income, is transferred from equity to the statement of comprehensive income. Reversals in respect of equity instruments classified as AFS financial assets are not recognized in the statement of comprehensive income. Reversals of impairment losses on debt instruments are reversed through the statement of comprehensive income if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the statement of comprehensive income.

Derecognition of Financial Assets and Liabilities
Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Association 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 Association has transferred its right 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 substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Association has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Association'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 the carrying amount of the asset and the maximum amount of consideration that the Association could be required to repay.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged, 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 Association's statement of comprehensive income.

Investments in Associates
Investments in CARD MRI Information Technology, Inc. (CMIT), BotiCARD, Inc. (BotiCARD), and CARD Pioneer Microinsurance Inc. (CPMI), associates, are accounted for under the equity method of accounting. An associate is an entity in which the Association has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in associate is carried in the statement of financial position at cost plus post-acquisition changes in the Association's share in the net assets of the investee. The statement of comprehensive income reflects the Association's share of the results of the operations of the investee. Unrealized gains arising from inter Association transactions are eliminated to the extent of the Association's interest therein. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction in the carrying value of the investment.

Property and Equipment
Property and equipment, except for land, are stated at cost less accumulated depreciation and any impairment in value. Land is carried at cost less any impairment in value. The initial cost of property and equipment comprises its purchase price, including taxes and directly attributable cost to bring the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.
Depreciation is computed using the straight-line method over the estimated useful lives (EUL) of the assets as follows:

	Years
Building	10-15
Transportation equipment	5
Computer and office equipment	3
Office furniture and fixtures	3

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made with respect to these assets.
The useful life 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 values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, an impairment loss is recognized in the statement of comprehensive income.

Investment Properties
Investment properties comprise of completed building, leasehold improvements and machineries that are held to earn rentals or capital appreciation or both and that are not occupied by the Association.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and amortization and any impairment in value. Depreciation and amortization of investment properties are computed using the straight-line method over the estimated useful lives (EUL) of assets as follows:

	In Years
Building	10-15

Construction in-progress is carried at cost and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupancy.
The EUL and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of investment properties.

Investment properties are derecognized when they have either been disposed of or when the investment properties are permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in which it arises.

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

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

Impairment of Nonfinancial Assets

The Association assesses at each end of the reporting period whether there is an indication that property and equipment may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Association makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at each end of the reporting period 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 statement of comprehensive income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Fund Balance
Fund balance represents accumulated excess of revenue over expenses.

Revenue Recognition
The Association assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Association has concluded that it is acting as principal and agent in its revenue agreements. The following specific recognition criteria must also be met before revenue is recognized:

Premiums revenue
Premiums are recognized when collected. When premiums are recognized, actuarial liabilities are computed, with the result that benefits and expenses are matched with such revenue. The Association collects its premiums through the following affiliates that are considered as collecting institutions: (a) CARD Bank, Inc., (b) CARD Inc., (c) CARD SME Bank, Inc. and (d) Rizal Rural Bank, Inc.

Surrender charge
Surrender charge pertains to the fee imposed by the Association for the cancellation of the member's policy. This is intended for the administration costs incurred by the Association. Surrender charge is recognized when earned.

Interest income
Interest on interest-bearing placements and securities are recognized based on the accrual accounting using the effective interest rate (EIR).
Rental income
Rental income is the income generated from the investment properties of the Association and recognized when earned.

Other income
Income from other sources is recognized when earned.

Insurance Contract Liabilities
Life insurance contract liabilities
Life insurance contract liabilities are recognized when the contracts are entered into and the premiums are recognized. The reserve for life insurance contracts is calculated on the basis of a prudent prospective actuarial valuation method where the assumptions used depend on the circumstances prevailing in each life operation.

Golden life contract liabilities
Golden life insurance contract liabilities are recognized when the contracts are entered into and the premiums are recognized. The reserve for golden life insurance contracts is calculated on the basis of a prudent prospective actuarial valuation method where the assumptions used depend on the circumstances prevailing in each golden life operation.

Loan redemption contract liabilities
Loan redemption contract liabilities are recognized when the contracts are entered into and the premiums are recognized. The reserve for loan redemption contracts is calculated on the basis of a prudent prospective actuarial valuation method where the assumptions used are based on 60% of gross premiums of the Association for the year.

Liability adequacy test
Liability adequacy tests are performed annually to ensure the adequacy of the insurance contract liabilities. In performing these tests, current best estimates of future contractual cash flows, claims handling and policy administration expenses are used. Any deficiency is immediately charged against the statement of comprehensive income initially by establishing a provision for losses arising from the liability adequacy tests.

Claim Costs
Liabilities for unpaid claim costs and loss adjustment expenses relating to insurance contracts are accrued when insured events occur. The liabilities for unpaid claims, including those for incurred but not reported losses, are based on the estimated ultimate cost of settling the claims. The method of determining such estimates and establishing reserves are continually reviewed and updated. Changes in estimates of claim costs resulting from the continuous review process and differences between estimates and payments for claims are recognized as income or expense in the period when the estimates are changed or payments are made.

Expense Recognition
Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants.

Benefits and claims
Life insurance claims reflect the cost of all claims arising during the year, including claims handling costs. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due. Benefits recorded are then accrued as liabilities.

Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims. Internal costs include all direct expenses of the claims department and any part of the general and administrative expenses directly attributable to the claims function.

General and administrative expenses
Expenses consist of costs of administering the business. These are recognized as expenses as incurred.

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

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

Defined benefit 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 cost, past service cost and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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

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 other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Association. 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.

<u>Leases</u>

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date, and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset 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 an 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 any of the scenarios above, and at the renewal or extension period for the second scenario.

The Association as lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the statement of comprehensive income on a straight-line basis over the lease term. Indirect costs incurred in negotiating an operating lease are added to the carrying value of the leased asset and recognized over the lease term on the same basis as the lease income. Minimum lease payments are recognized on a straight-line basis while the variable rent is recognized as an expense based on the terms of the lease contract.

The Association as lessor
Leases where the Association retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

<u>Provisions</u>
Provisions are recognized when an obligation (legal or constructive) is incurred as a result of a past event and where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. 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 assessment 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 the passage of time is recognized as an interest expense.

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

<u>Events After the End of the Reporting Period</u>
Any post period year-end event that provides additional information about the Association's position at the end of the reporting period (adjusting event) is reflected in the financial statements. Any post year-end event that is not adjusting event, is disclosed when material to the financial statements.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires the Association to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the 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.

Estimates and judgments 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

Product classification
The Association has determined that the insurance policies it issues have significant insurance risk and therefore meet the definition of an insurance contract and should be accounted for as such.

Classification of HTM investments
The Association classifies non-derivative financial assets with fixed or determinable payments and fixed maturities as HTM investments. This classification requires significant judgment. In making this judgment, the Association evaluates its intention and ability to hold such investments to maturity. If the Association fails to keep these investments to maturity other than in certain specific circumstances, the Association will be required to reclassify the entire portfolio as AFS financial assets and to measure these at fair value and not at amortized cost. The Association has HTM investments amounting to ₱5,104.31 million and ₱3,741.08 million as of December 31, 2014 and 2013, respectively (Note 12). As of December 31, 2014 and 2013, the fair value of HTM investments amounted to ₱5,276.24 million and ₱3,957.89 million, respectively (Note 12).

Operating leases - Association as lessee
The Association has entered into lease agreements related to various properties for its head office and provincial offices. The Association has determined that the lessors retain all significant risks and rewards of ownership of these properties and thus accounts for these as operating leases.

Operating leases - Association as lessor
The Association has entered into contracts of lease for its investment properties. The Association has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases. The rental income is included in “Others” in statement of comprehensive income.

Distinction between investment properties and owner-occupied properties
The Association determines whether a property qualifies as an investment property. In making its judgment, the Association considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Classification of financial assets
The Association classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm’s-length basis. The carrying value of AFS financial assets not quoted in an active market amounted to ₱163.69 million and ₱171.19 million as of December 31, 2014 and 2013, respectively (Note 11).

Fair value of financial instruments
The Association carries certain financial assets at fair value, which requires extensive use of accounting estimates and judgments. Fair value determinations for financial assets and liabilities are based generally on listed or quoted market prices. If prices are not readily determinable or if liquidating the positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management’s estimate of amounts that could be realized under current market conditions, assuming an orderly liquidation over a reasonable period of time.

While significant components of fair value were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value of these financial assets and liabilities would affect profit and loss and equity.

The following are the details of financial instruments carried at fair value:

	2014	2013
Financial assets		
Financial assets at FVPL (Note 10)	**₱20,180,000**	₱21,040,000
AFS financial assets (Note 11)	**509,658,294**	514,082,289

The fair values of the Association's financial instruments follow (Note 28):

	2014	2013
Financial assets	**₱6,480,425,850**	₱5,436,029,907
Financial liabilities	**110,176,583**	70,602,938

Estimates

Estimating useful lives of property and equipment and investment properties
The Association estimates the EUL of its property and equipment and investment properties based on the period over which these assets are expected to be available for use. The EUL of property and equipment and investment properties are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in estimates brought about by changes in these factors.

As of December 31, 2014 and 2013, there were no changes in the EUL and residual values of the Association's property and equipment and investment properties.

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

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

The Association recognizes an impairment loss whenever the carrying amount of the asset exceeds its recoverable amount. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

For the years ended December 31, 2014 and 2013, no impairment loss has been recognized for the Association's property and equipment.

The following table sets forth the carrying values of property and equipment and investment properties as of December 31:

	2014	2013
Property and equipment (Note 13)	**₱240,021,459**	₱139,431,853
Investment property (Note 14)	**36,780,456**	–

Impairment losses of receivables
The Association reviews its receivables to assess impairment annually. In determining whether an impairment loss should be recorded in the statement of revenue and expenses, the Association makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. Total receivables net of allowance for impairment losses amounted to ₱159.97 million and ₱230.18 million as of December 31, 2014 and 2013, respectively (Note 9). Allowance for impairment losses amounted to ₱17.54 million and ₱1.09 million as of December 31, 2014 and 2013, respectively (Note 9).

Impairment of AFS financial assets
The Association determines that AFS financial assets are impaired when there has been a significant or prolonged decline in the fair value below cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Association evaluates among other factors, the normal volatility in price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. As of December 31, 2014 and 2013, the fair value of AFS financial assets amounted to ₱509.66 million and ₱514.08 million, respectively (Note 11).

Retirement and other employee benefits
The cost of defined benefit pension plans and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The net pension assets amounted to ₱12.63 million as at December 31, 2014 and the net pension liability amounted to ₱33.62 million as at December 31, 2013. Further details are provided in Note 27.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific

Provision for reserves
The estimation of ultimate liability arising from claims made under life insurance contracts is the Association's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Association will ultimately pay for such claims. Previous experience and trends are fundamentally considered in determining the liability. In determining the provision for reserves, estimates are made as to the expected number of deaths,

illness or injury for each of the years in which the Association is exposed to risk. These estimates are based on standard industry and national mortality and morbidity tables. The estimated number of deaths, illness or injury determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover by reserves, which in return is monitored against current and future premiums. Estimates are also made to future investment income arising from the assets backing life insurance contracts. These estimates are based on weighted average rate of return arising from the assets backing life insurance contracts. Refer to Note 28 for the key assumptions used in the estimation of provision for reserves.

6. Cash and Cash Equivalents

This account consists:

	2014	2013
Cash on hand	**₱3,330,957**	₱3,405,995
Cash in banks	**99,668,499**	194,469,154
Short-term deposits	**172,693,267**	444,692,286
	₱275,692,723	₱642,567,435

Cash in banks earns interest at the prevailing bank deposit rates. Short-term deposits are made for varying periods of between one (1) day and three (3) months depending on the immediate cash requirements of the Association and earn interest at the prevailing short-term deposit rates.

Cash in banks earned interest ranging from 0.13% to 1.50% and 1.25% to 2.00% in 2014 and 2013, respectively. Short-term deposits earned interest ranging from 1.15% to 2.00% and 3.00% to 4.00% in 2014 and 2013, respectively. Interest income earned from cash and cash equivalents amounted to ₱1.27 million and ₱0.76 million in 2014 and 2013, respectively (see Note 21).

7. Short-term Investments

Short-term investments amounted to ₱168.26 million and ₱0.24 million as of December 31, 2014 and 2013, respectively.

Short-term investments are money market placements that bear annual interest at rates that ranged from 0.75% to 1.5% in 2014 and 0,75% in 2013. Interest income earned from these investments amounted to ₱0.67 million and ₱4.17 million in 2014 and 2013, respectively (see Note 21)..

8. Long-term Investments

Long-term investments amounted to ₱72.68 million as of December 31, 2014 and 2013.

The long-term investments are placements that bear annual interest of 6% in 2014. Interest income earned from these investments amounted to ₱4.62 million and ₱4.07 million in 2014 and 2013, respectively (see Note 21)..

9. Loans and receivables

This account consists of:

	2014	2013
Receivables from related parties (Note 26)	**₱80,484,167**	₱136,032,215
Accrued interest receivable	**57,380,018**	51,223,205
Loans receivable (Note 26)	**31,666,667**	38,333,333
Advances for future stock subscription	**3,000,000**	3,000,000
Accounts receivable	**821,257**	994,279
Other receivables	**4,157,791**	1,689,919
	177,509,900	231,272,951
Less allowance for impairment losses	**17,537,707**	1,088,562
	₱159,972,193	₱230,184,389

The reconciliation of the changes in the allowance for impairment losses based on individual assessment follows:

	2014	2013
At January 1	**₱1,088,562**	₱2,615,863
Provision for impairment losses (Note 24)	**16,449,145**	−
Reversal of provision for impairment losses	−	(1,136,911)
Amounts written off	−	(390,390)
At December 31	**₱17,537,707**	₱1,088,562

Receivables from related parties pertain to premiums collected by related parties from the Association's members, commissions and claims paid on behalf of CARD MRI Insurance Agency (CaMIA) (Note 26). These are generally on 1-to-30 day terms.

Accrued interest receivable pertains mainly to interest accrued arising from cash and cash equivalents, short-term investments, investments in government securities, corporate bonds and notes.

The movements in loans receivable follow:

	2014	2013
At January 1	**₱38,333,333**	₱10,000,000
Additions	**5,000,000**	40,000,000
Principal collections	**(11,666,666)**	(1,666,667)
Matured loans	−	(10,000,000)
At December 31	**₱31,666,667**	₱38,333,333

In 2014, the Association granted funding assistance to Responsible Investments for Solidarity and Empowerment (RISE) Financing Company, Inc. amounting to ₱5.00 million at 6% interest per annum with maturity on October 28, 2016.

In 2013, the Association extended funding assistance to CARD Employees Multipurpose Cooperative (EMPC) and CARD Leasing and Finance Corporation (CLFC) amounting to ₱20.00 million each for use in support of their operations. EMPC and CLFC loans bear 5.00% interest per annum with maturity on October 28, 2016 and November 5, 2016, respectively. The outstanding loan balance of EMPC and CLFC are ₱13.33 million each in 2014 while ₱13.33 million and ₱18.33 million in 2013, respectively. The Association received interest income from EMPC and CLFC of ₱0.68 million and ₱0.67 million in 2014 and of ₱0.14 million and ₱0.14 million in 2013, respectively.

Loan granted to CMIT matured in 2013. The amount of interest income earned from this loan receivable amounted to ₱0.10 million in 2013.

Advances for future stock subscription pertains to deposit made by the Association in 2012 to BotiCARD which will be used to subscribe to 600,000 common shares at ₱5 par value. As of December 31, 2014, The Securities and Exchange Commission (SEC) has not yet approved BotiCARD's request for increase in authorized capital stock.

Accounts receivable pertain to receivables from its members due to overpayment made on the claims and benefits given by the Association.
Other receivables consist of cash advances to officers and employees.

As of December 31, 2014 and 2013, allowance for impairment losses for receivables determined based on specific identification and assessment follows:

	Accounts Receivable	**Other Receivables**	**Total**
At January 1, 2013	₱1,661,042	₱954,821	₱2,615,863
Reversal of provision for impairment losses	(671,358)	(465,553)	(1,136,911)
Amounts written off	(291,506)	(98,884)	(390,390)
At December 31, 2013	**698,178**	**390,384**	**1,088,562**
Provision for impairment losses	**16,093,189**	**355,956**	**16,449,145**
At December 31, 2014	**₱16,791,367**	**₱746,340**	**₱17,537,707**

10. Financial Assets at FVPL

As of December 31, 2014, financial assets at FVPL consist of San Miguel Corporation preferred shares. The rollforward analysis of these investments follows:

	2014	2013
At January 1	**₱21,040,000**	₱20,260,000
Fair value gains (losses) on financial assets at FVPL	**(860,000)**	780,000
At December 31	**₱20,180,000**	₱21,040,000

There were no acquisitions of financial assets at FVPL in 2014 and 2013.

11. **Available-for-Sale Financial Assets**

This account consists of:

	2014	2013
Quoted securities - at fair value		
Mutual funds	**₱269,819,559**	₱266,743,554
Preferred shares	**76,147,335**	76,147,335
	345,966,894	342,890,889
Unquoted securities - at cost		
Preferred shares	**163,691,400**	171,191,400
	₱509,658,294	₱514,082,289

The carrying values of AFS financial assets have been determined as follows:

	Quoted Equity Securities	Unquoted Equity Securities	Investments in Mutual Funds	Total
At January 1, 2013	₱74,997,375	₱143,125,000	₱254,189,856	₱472,312,231
Additions	−	35,566,400	−	35,566,400
Fair value gains	1,149,960	−	12,553,698	13,703,658
Disposals	−	(7,500,000)	−	(7,500,000)
At December 31, 2013	**76,147,335**	**171,191,400**	**266,743,554**	**514,082,289**
Fair value gains	**−**	**−**	**3,076,005**	**3,076,005**
Disposals	**−**	**(7,500,000)**	**−**	**(7,500,000)**
At December 31, 2014	**₱76,147,335**	**₱163,691,400**	**₱269,819,559**	**₱509,658,294**

Investments in quoted securities pertain to the Association's investments in San Miguel Corporation preferred shares amounting to ₱75.00 million as of December 31, 2014 and 2013.

Investments in unquoted preferred shares pertain to the Association's investments in CARD Bank, Inc.

The Association received 31,479 preferred shares of CARD Bank, Inc. as stock dividend, an affiliated Microfinance-Oriented Rural Bank, in 2013 amounting to ₱6.29 million. The Association owns 818,457 and 678,125 preferred shares of CARD Bank, Inc. amounting to ₱163.69 million as of December 31, 2014 and 2013.

The Association owns 1,000 shares of Responsible Investment for Solidarity and Empowerment (RISE) Financing Association, Inc. preferred shares amounting to ₱7.50 million as of December 31, 2013. This investment had matured on July 23, 2013 and subsequently placed on August 1, 2013.

In October 2014, the Association pulled-out its ₱7.50 million investments in preferred shares in RISE, due to non-approval of such investment by the IC.

The increase in reserve for fluctuation in value of the investments in mutual funds amounted to ₱3.08 million and ₱12.55 million in 2014 and 2013, respectively. This is presented as "Other comprehensive income" in the statements of financial position.

In 2014 and 2013, the Association received dividends amounting to ₱27.60 million and ₱3.27 million, respectively.

The rollforward of the reserve for fluctuation in value of AFS financial assets follows:

	2014	2013
Beginning balance	**₱39,784,692**	₱26,081,034
Fair value gains on AFS financial assets	**3,076,005**	13,703,658
	₱42,860,697	₱39,784,692

12. **Held-to-Maturity Investments**

As of December 31, 2014 and 2013, the carrying amounts and fair values of these securities follow:

	2014		2013	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Fixed treasury notes	**₱3,149,668,295**	**₱3,259,318,500**	₱2,588,058,867	₱2,708,194,402
Retail treasury bonds	**1,494,277,569**	**1,534,592,977**	732,268,086	799,036,375
Government bonds	**117,140,432**	**134,573,719**	86,713,610	94,284,682
Corporate bonds	**216,735,030**	**216,735,030**	207,142,673	219,122,617
Guaranty fund	**126,496,495**	**131,017,547**	126,900,679	137,250,308
	₱5,104,317,821	**₱5,276,237,773**	₱3,741,083,915	₱3,957,888,384

These investments bear annual interest rates that ranged from 3.25% to 9.00% in 2014 and 1.625% to 9.00% in 2013 and will mature between one (1) and ten (10) years from the statements of financial position date. Interest income from these investments amounted to ₱157.13 million and ₱157.99 million in 2014 and 2013, respectively (Note 21).

The carrying value of HTM investments follows:

	2014	2013
At January 1	**₱3,741,083,915**	₱3,128,634,363
Additions	**1,643,543,090**	832,256,047
Amortization of bond discount (premium)	**(24,583,735)**	5,634,562
Maturities	**(255,725,449)**	(225,441,057)
At December 31	**₱5,104,317,821**	₱3,741,083,915

As at December 31, 2014 and 2013, HTM investments include government securities classified as guaranty fund amounting to ₱126.90 million (Note 31). These investments are deposited with the IC, in accordance with the provisions of the Insurance Code, as security for the benefit of policyholders and creditors of the Association.

13. **Property and Equipment -** net

The composition and movements in this account follow:

	2014						
	Land	**Transportation equipment**	**Computer and office equipment**	**Office furniture and fixtures**	**Building**	**Construction - progress**	**Total**
Cost							
At January 1	**₱116,631,907**	**₱5,808,874**	**₱19,182,671**	**₱1,433,595**	**₱5,028,870**	**₱9,310,989**	**₱157,396,906**
Additions	**69,535,466**	**30,235**	**758,366**	**637,875**	**38,317,861**	**33,688,669**	**142,968,472**
Reclassifications	–	–	**150**	**(150)**	–	–	–
Retirement	–	–	**(145,800)**	–	–	–	**(145,800)**
Transfers to investment property (Note 14)	–	–	–	–	**(34,733,155)**	**(3,905,204)**	**(38,638,359)**
At December 31	**186,167,373**	**5,839,109**	**19,795,387**	**2,071,320**	**8,713,576**	**39,094,454**	**261,581,219**
Accumulated Depreciation and Amortization							
At January 1	–	**2,748,888**	**13,073,532**	**1,066,180**	**1,076,453**	–	**17,965,053**
Depreciation (Note 24)	–	**1,311,235**	**2,557,895**	**361,844**	**1,367,436**	–	**5,598,410**
Retirement	–	–	**(145,800)**	–	–	–	**(145,800)**
Transfers to investment property (Note 14)	–	–	–	–	**(1,857,903)**	–	**(1,857,903)**
At December 31	–	**4,060,123**	**15,485,627**	**1,428,024**	**585,986**	–	**21,559,760**
Net Book Value	**₱186,167,373**	**₱1,778,986**	**₱4,309,760**	**₱643,296**	**₱8,127,590**	**₱39,094,454**	**₱240,021,459**

	2013						
	Land	Transportation equipment	Computer and office equipment	Office furniture and fixtures	Building	Construction - progress	Total
Cost							
At January 1	₱51,845,250	₱6,292,944	₱17,815,639	₱963,528	₱5,028,870	₱–	₱81,946,231
Additions	64,786,657	211,315	1,665,127	524,411	–	9,310,989	76,498,499
Retirement/Disposal	–	(695,385)	(298,095)	(54,344)	–	–	(1,047,824)
At December 31	116,631,907	5,808,874	19,182,671	1,433,595	5,028,870	9,310,989	157,396,906
Accumulated Depreciation and Amortization							
At January 1	–	2,130,290	9,993,347	578,855	499,252	–	13,201,744
Depreciation (Note 24)	–	1,313,874	3,154,643	475,810	577,201	–	5,521,528
Retirement/Disposal	–	(695,276)	(74,458)	11,515	–	–	(758,219)
At December 31	–	2,748,888	13,073,532	1,066,180	1,076,453	–	17,965,053
Net Book Value	₱116,631,907	₱3,059,986	₱6,109,139	₱367,415	₱3,952,416	₱9,310,989	₱139,431,853

Fully depreciated property and equipment with total cost of to ₱9.89 million and ₱2.24 million as of December 31, 2014 and 2013, respectively, are still in active use. Depreciation expense on property and equipment charged against operations amounted to ₱5.60 million and ₱5.52 million in 2014 and 2013, respectively (Note 24)

14. **Investment Properties**

In 2014, the Association transferred a portion of its property and equipment with a carrying value of ₱36,780,456 to investment properties. The Management changed its intention of initially using the buildings for administrative use and leased these out to related parties in 2014 (see Note 27).

The movement of this account follows:

	2014		
	Building	Construction in Progress	Total
Cost			
At January 1	**₱–**	**₱–**	**₱–**
Additions	**34,733,155**	**3,905,204**	**38,638,359**
At December 31	**₱34,733,155**	**₱3,905,204**	**₱38,638,359**
Accumulated Depreciation and Amortization			
At January 1	**₱–**	**₱–**	**₱–**
Depreciation (Note 24)	**1,857,903**	**–**	**1,857,903**
At December 31	**1,857,903**	**–**	**1,857,903**
Net Book Value	**₱32,875,252**	**₱3,905,204**	**₱36,780,456**

The investment properties have a fair value of ₱38.80 million as of December 31, 2014 based on appraisal reports of the same date. The valuations of the Association's investment properties were performed by Architect Reynald Francis D. Guevarra, an accredited independent valuer with a recognized and relevant professional qualification and with recent experience in the location and category of the investment property being valued.

The Association earned rental income amounting to ₱1.25 million from its investment properties in 2014 (see Notes 22 and 25).

15. **Investments in Associates**

Details of the Association's investments in associates follow:

	2014		2013	
	Amount	**Percentage***	Amount	Percentage*
CMIT	**₱25,052,695**	40.00%	₱20,357,933	40.00%
BotiCARD	**7,132,610**	30.00%	6,363,100	30.00%
CPMI	**236,103,657**	47.00%	258,345,191	47.00%
	₱268,288,962		₱285,066,224	

**Percentage ownership of the Associates in the total outstanding number of shares of the Associates.*

The details of the CMIT investment follow:

	2014	2013
Acquisition cost:		
At January 1	**₱15,000,000**	₱11,500,000
Placements	**–**	3,500,000
At December 31	**15,000,000**	15,000,000
Accumulated equity in net earnings:		
At January 1	**5,357,933**	6,256,568
Equity in net earnings	**5,126,470**	2,375,874
Dividends received	**(2,709,000)**	(3,274,509)
At December 31	**7,775,403**	5,357,933
Equity in other comprehensive income	**2,277,292**	–
	10,052,695	5,357,933
	₱25,052,695	₱20,357,933

In 2014, the Association received dividends amounting to ₱2.70 million. The undistributed accumulated equity in CMIT's net earnings amounted to ₱7.78 million and ₱5.36 million as of December 31, 2014 and 2013, respectively, which are included in the Association's unappropriated fund balance, and are not available for dividend declaration until actually received. The Association has ₱2.28 million share of CMIT's other comprehensive income.

As of December 31, 2014 and 2013, the Association's investment in CMIT amounted to ₱25.05 million and ₱20.36 million, respectively.

The details of the BotiCARD investment as of December 31, 2014 follow:

	2014	2013
Acquisition cost		
At January 1 and December 31	**₱3,900,000**	₱3,900,000
At December 31	**3,900,000**	3,900,000
Accumulated equity in net earnings:		
At January 1	**2,463,100**	791,085
Equity in net earnings	**1,044,510**	1,672,015
Dividends received	**(275,000)**	–
At December 31	**3,232,610**	2,463,100
	₱7,132,610	₱6,363,100

In 2012, the Association deposited ₱3.00 million to BotiCARD which will be used to subscribe to 600,000 common shares at ₱5 par value. As of December 31, 2014, The Securities and Exchange Commission (SEC) has not yet approved BotiCARD's request for increase in authorized capital stock.

In 2014, the Association received dividend amounting to ₱0.28 million. The undistributed accumulated equity in BotiCARD's net earnings of ₱3.23 million and ₱2.46 million as of December 31, 2014 and 2013, which are included in the Association's unappropriated fund balance, are not available for dividend declaration until these are actually received.

As of December 31, 2014 and 2013, the Association's investment in BotiCARD amounted to ₱7.13 million and ₱6.36 million, respectively.

The details of the CARD Pioneer Micro insurance Incorporated (CPMI) investment as of December 31, 2014 follow:

	2014	2013
Acquisition cost		
At January 1	**₱257,983,896**	₱–
Placements	**55,256**	257,983,896
At December 31	**258,039,152**	257,983,896
Accumulated equity in net earnings:		
At January 1	**361,295**	–
Equity in net earnings (loss)	**(22,296,790)**	361,295
At December 31	**(21,935,495)**	361,295
	₱236,103,657	₱258,345,191

On July 16, 2013, the Association entered into an agreement with CPMI, formerly named as Pioneer Asia Insurance Corporation (PAIC) for the purchase of 2,303,428 shares or 47.00% of CPMI. On September 30, 2013, the consideration paid by Association for its investment in CPMI amounted to ₱257.98 million.

	CPMI
Fair value of net assets	**₱548,901,906**
Proportionate ownership in the associate	**47%**
Consideration paid	**₱257,983,896**

No goodwill was recognized since the consideration paid is equal to the proportionate ownership in CPMI.

Financial information of the Association's associates follow:

	2014	2013
CMIT		
Total assets	**₱80,909,198**	₱13,209,957
Total liabilities	**8,070,462**	28,476,222
Net income	**12,816,176**	5,939,686
BotiCARD		
Total assets	**28,005,863**	28,727,725
Total liabilities	**10,793,135**	21,537,616
Net income	**3,481,700**	4,287,219
CPMI		
Total assets	**604,701,161**	555,975,944
Total liabilities	**107,925,201**	11,764,731
Net income *	**(47,439,978)**	19,243,126

**CPMI net income from September to December 2013 amounted to ₱768,714*

16. **Other Assets**

This account consists of:

	2014	2013
Refundable deposits	**₱2,500,000**	₱4,300,000
Prepaid expenses	**1,955,255**	1,138,777
Prepaid rent	**1,476,014**	277,700
Supplies inventory	**1,427,924**	1,958,704
Prepaid pension	**563,195**	563,193
Prepaid insurance	**358,000**	–
	₱8,280,388	₱8,238,374

Refundable deposits pertain to deposits of the Association to Cocolife Health Care for AKAP CARD Health Benefits. These health benefits are given to its members with the privilege of using the facilities of affiliated hospitals with services. Benefits include medical consultation, hospitalization, annual physical exam and medical emergency needs. In February 2012, the Association decided to discontinue the benefit to its members due to unfavorable result in the operation of the Association. The deposits made by the Association will be refunded one year after the expiration of the terms of AKAP CARD Health benefits which is in 2014. As of December 31, 2014, Cocolife has not yet refunded the Association its guaranty deposit due to delayed processing. It is only on April 1, 2015 that the guaranty deposit was refunded to the Association

17. **Accounts Payable and Accrued Expenses**

This account consists of:

	2014	2013
Accounts payable - CAMIA (Note 26)	**₱58,607,490**	₱10,537,230
Accounts payable - Alveo (Note 26)	**23,053,142**	–
Collection fee payable	**19,309,153**	50,440,961
Accrued expenses	**7,144,386**	7,242,227
Funds held in trust - CAMIA (Note 26)	**1,412,974**	801,740
Others	**649,438**	1,580,780
	₱110,176,583	₱70,602,938

Accounts payable and funds held in trust - CAMIA both represent premiums collected from policyholders on behalf of CAMIA. Funds held in trust pertain to unremitted collections to CAMIA for payments of Packaged Assistance in Case of Disaster (PAID) Plan awaiting receipt of accomplished return stubs. The funds held in trust will be transferred to accounts payable - CAMIA upon the receipt of the return stubs. It is non-interest-bearing and is payable on demand.

Accounts payable - Alveo pertains to the unpaid balance of the Association for the land it acquired, together with CaMIA and Aniceta R. Alip, in September 2014. The share of the Association from the total purchase price of ₱55.51 million amounts to ₱46.28 million (see Note 13).

Collection fee payable pertains to the Association's payable to its collecting institutions regarding the amount of claims and expenses paid by such institutions in excess of the contributions collected. These are non-interest-bearing and are generally on a 1-30 day payment terms.

Accrued expenses pertain to accruals for employee benefits, professional and legal fees, utilities and supplies.

Other payables are obligations of the Associations to government agencies. This account includes withholding taxes payable, SSS loan and contribution payable, PAG –IBIG loan and contribution payable, Medicare contribution and Pangarap Savings.

18. Insurance Contract Liabilities

This account consists of:

	2014	2013
Life insurance contract liabilities	**₱3,143,318,226**	₱2,614,321,720
Loan redemption contract liabilities	**152,460,050**	122,174,234
Claims payable	**24,413,140**	15,326,342
	₱3,320,191,416	₱2,751,822,296

The rollforward analysis of life insurance contract liabilities follows:

	2014	2013
At January 1	**₱2,614,321,720**	₱2,134,530,394
Premiums received	**778,941,560**	683,627,310
Liability released for payments of death, maturity and surrender benefits and claims	**(249,945,054)**	(203,835,984)
At December 31	**₱3,143,318,226**	₱2,614,321,720

This account represents reserves for life insurance computed on the basis of a prudent prospective actuarial valuation method where the assumptions used depend on the circumstances prevailing in each life operation.

The rollforward analysis of loan redemption contract liabilities follows:

	2014	2013
At January 1	**₱122,174,234**	₱102,212,477
60% of increase in premiums received	**30,285,816**	19,961,757
At December 31	**₱152,460,050**	₱122,174,234

This account represents reserves for loan redemption insurance computed on the basis of a prudent prospective actuarial valuation method where the assumptions used are based on 60% of gross premiums of the Association for the year.

The loan redemption insurance covers the outstanding loan balance of members from CARD Inc., CARD SME Bank, Inc., CARD Bank, Inc., and Rizal Rural Bank, Inc. in case of death of a member-borrower. The Association also records reserves on loan redemption insurance. As of December 31, 2014 and 2013, loans covered by the Association's loan redemption insurance amounted to ₱33.72 billion and ₱27.41 billion, respectively.

The rollforward analyses of claims payable follows:

	2014	2013
At January 1	**₱15,326,342**	₱10,790,284
Arising during the year	**609,907,651**	514,739,553
Paid/utilized	**(600,820,853)**	(510,203,495)
At December 31	**₱24,413,140**	₱15,326,342

19. Retirement Savings Fund

The retirement savings fund represents contributions of members of the Association to the provident fund, net of administrative expenses. The provident fund is being administered by the Association and is intended for the retirement of its members. It can be availed of at the age of 65 if the member completed a minimum of five (5) consecutive years of membership in the Association. The contributions are invested and the interests thereon are credited to the retirement savings fund. If a member decides to retire prior to age of 65 and has completed a minimum of three (3) consecutive years of membership in the Association, the member shall be entitled to an equity value equivalent to 100.00% of the member's total contributions.

The rollforward analysis of retirement savings fund follows:

	2014	2013
At January 1	**₱1,580,623,648**	₱1,236,694,881
Contribution	**432,864,023**	379,797,402
Interest	**56,678,067**	64,214,577
Claims and expenses	**(106,438,630)**	(100,083,212)
At December 31	**₱1,963,727,108**	₱1,580,623,648

The allocation of interest income for retirement savings fund is equivalent to 3.31% of the beginning balance of the account plus contribution from members during the year. The actual interest income earned reduced by the computed amount of interest in retirement savings fund is allocated to interest income account.

20. Net Earned Premiums

The net earned premiums consist of the following:

	2014	2013
Gross earned premiums on insurance contracts		
Life insurance premiums	**₱1,298,246,715**	₱1,139,378,850
Loan insurance premiums	**254,100,084**	203,623,724
Total	**₱1,552,346,799**	₱1,343,002,574
Less: Reinsurer's share on gross earned premium on insurance contracts		
Life insurance	**1,074,000**	–
Net earned premiums on insurance contracts	**₱1,551,272,799**	₱1,343,002,574

Under the Association's life insurance program, members and its qualified dependents are entitled to receive a minimum amount of benefit upon death or permanent disability duly approved by the Association after meeting certain conditions as stated in the certificate of membership issued to members. The member's contribution is ₱15 every week.

Under the life insurance program is the golden life insurance program, members aging 70 years old are entitled to enroll in the program up to age 100 years old. The member has the option to choose between ₱50 or ₱100 contribution every week.

The loan redemption insurance covers the outstanding loan balance of members to CARD Micro-finance institutions namely: CARD Inc., CARD Bank, Inc., CARD SME Bank Inc. and Rizal Rural Bank, Inc. in case of death. Under this program, the member contributes 1.5% per annum of his/her outstanding loan balance to be recognized by the Association as gross premiums.

In April 2014, the Association entered into reinsurance agreement with National Reinsurance Corporation of the Philippines in response to the increased risk brought by severe calamities hitting the country.

21. **Interest Income**

This account consists of:

	2014	2013
Interest income on:		
HTM investments (Note 12)	**₱157,130,789**	₱157,993,139
Long-term investments (Note 8)	**4,615,523**	4,074,039
Loans and receivables (Note 9)	**1,352,315**	381,667
Cash and cash equivalents (Note 6)	**1,266,620**	763,833
Short-term investments (Note 7)	**668,770**	4,172,114
	₱165,034,017	₱167,384,792

22. **Rental Income**

For year 2014, the Association earned ₱1.25 million from renting its investment properties to its affiliates: CARD Bank, Inc., Rizal Rural Bank, Inc., CMIT, CaMIA and BotiCARD (see Note 26).

23. **Access fees**

This pertains to Commission and Network access fees amounting ₱0.81 million in 2013.

Commission and network access fees pertain to fees paid by the Association to Philam Care and Cocolife for AKAP CARD Health Benefits in which the members are given the privilege to use the facilities of affiliated hospitals. This is valid for one (1) year and the Association assumes the risk of funding the member's healthcare services and related administrative costs.

No costs are recorded this year because the Association decided to discontinue the benefit to members due to unfavorable result in the operations of the Association.

24. General and Administrative Expenses

This account consists of:

	2014	2013
Transportation and travel	**₱87,274,260**	₱78,866,752
Salaries and allowances	**68,120,813**	57,342,335
Provision for impairment losses (Note 9)	**16,449,145**	–
Program, monitoring and evaluation	**12,752,974**	11,330,196
Supplies	**11,484,393**	10,585,563
Pension expense (Note 27)	**9,655,132**	9,064,134
Professional fees	**8,770,546**	6,153,469
Donation and contribution	**7,446,929**	39,203,478
Training and development	**7,093,388**	7,521,663
Rental	**6,633,667**	5,612,219
Interest expense (Note 27)	**5,607,238**	7,389,638
Depreciation (Note 13)	**5,598,410**	5,521,528
Communication	**5,580,542**	5,498,717
Meetings and seminars	**5,570,067**	3,930,418
Insurance	**4,530,755**	3,349,207
Security and janitorial services	**4,024,081**	2,934,664
Repairs and maintenance	**2,656,545**	1,998,528
Light and water	**1,929,234**	1,547,995
Taxes and licenses	**1,560,855**	3,488,756
Membership dues	**1,251,091**	1,196,890
Bank charges	**652,522**	1,048,562
Entertainment, amusement and recreation	**503,953**	369,446
Research and documentation	**194,858**	8,860
Miscellaneous	**408,744**	303,064
	₱275,750,142	₱264,266,082

25. Lease Commitments

Operating leases - Association as lessee
In 2012, the Association entered into operating lease agreements with various lessors with terms ranging from six (6) months to one (1) year. Rent expense included in the statements of comprehensive income in 2014 and 2013 amounted to ₱6.63 million and ₱5.61 million, respectively. The future minimum rentals payable for the existing contracts amounted to a total of ₱6.67 million and ₱6.34 million as of December 31, 2014 and 2013, respectively.

Operating leases - Association as lessor
The Association entered into operating lease agreements with its related parties. Rent income included in the statements of comprehensive income under “rental income” account in 2014 amounted to ₱1.25 million. The minimum rentals receivable for the existing contracts amounted to a total of ₱4.70 million as of December 31, 2014.

26. Related Party Transactions

Parties are 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, and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

The significant transactions of the Association with related parties in the normal course of business are as follow:

December 31, 2014

Category	Amount	Outstanding	Nature	Terms	Conditions
Associates					
CMIT					
Accounts receivable	**₱78,105**	₱–	Unremitted collection of members contribution	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	**44,428**	**43,808**	Unpaid services provided in maintaining the Association's system	On-demand; noninterest-bearing	Unsecured
Rental income	**171,000**	–	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured
BotiCARD					
Accounts receivable	**68,086**	**500**	Unpaid collection of members' contribution	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	**3,073,300**	**4,800**	Unpaid medicines and administrative expenses incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Rental income	**63,500**	–	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured
Affiliates					
CaMIA					
Accounts receivable	**362,783,993**	**60,418,044**	Claims unpaid to members who avail CaMIA products	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	**231,046,941**	**58,607,490**	Premiums uncollected from CaMIA products	On-demand; noninterest-bearing	Unsecured
Held in trust	**1,422,724**	**1,412,974**	Premiums uncollected without return stub	On-demand; noninterest-bearing	Unsecured
Rental income	**120,000**	–	Income received from office space rental	On-demand; noninterest-bearing	Unsecured; no impairment
CMDI					
Accounts receivable	**213,057**	**63,803**	Unremitted collection of members (CARD MRI Staff) contribution	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	**353,961**	**353,961**	Unpaid expenses for administration and training cost of staffs	On-demand; noninterest-bearing	Unsecured

(Forward)

Category	Amount	Outstanding	Nature	Terms	Conditions
CARD, Inc.					
Accounts receivable	**₱405,092,652**	**₱11,644,710**	Unremitted collection of members contribution	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	**189,018,314**	**2,994,786**	Unpaid claims and expenses incurred	On-demand; noninterest-bearing	Unsecured
CARD SME					
Cash and cash equivalents	**370,563,873**	**8,984,964**	Various	On-demand; interest at 2.00% for regular savings deposit and 4.00% for time deposit	Unsecured; no impairment
Accounts receivable	**147,466,507**	**2,476,593**	Unremitted collection of members contribution	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	**1,218,197**	**104,498**	Unpaid claims and expenses incurred	On-demand; noninterest-bearing g	Unsecured
Interest income	**2,290,547**	–	Income received from office space rentals	On-demand; interest at 2.00% for regular savings deposit and 4.00% for time deposit	Unsecured
CARD BDSFI					
Accounts receivable	**41,954**	–	Unpaid collection of members' contribution	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	**2,118,446**	–	Unpaid administration and training incurred	On-demand; noninterest-bearing	Unsecured
CARD EMPC					
Accounts receivable	**607,096**	**600**	Unpaid collection of members' contribution	On-demand; noninterest-bearing	Unsecured; no impairment
Loans receivable	–	**13,333,333**	Loan made by EMPC	On-demand; interest at 5.00% per annum	Unsecured; no impairment
Accounts payable	**1,151,773**	**1,141,877**	Unpaid administrative expenses incurred for Association's staff	On-demand; noninterest-bearing	Unsecured
Rizal Rural Bank					
Cash and cash equivalents	**86,943,733**	**1,439,361**	Various	On-demand; interest at 2.00% for regular savings deposit and 4.00% for time deposit	Unsecured; no impairment
Accounts receivable	**29,029,979**	**234,000**	Unremitted collection of members contribution	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	**15,480**	**11,247**	Unpaid claims and expenses incurred	On-demand; noninterest-bearing	Unsecured

(Forward)

Category	Amount	Outstanding	Nature	Terms	Conditions
Rental income	**₱234,000**	**₱234,000**	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured
Interest income	**1,439,361**	–	Income from deposits made (included in cash and cash equivalents)	On-demand; interest at 2.00% for regular savings deposit and 4.00% for time deposit	Unsecured
CLFC					
Accounts receivable	**57,705**	**32638**	Unremitted collection of members (CARD LFC staff) contribution	On-demand; noninterest-bearing	Unsecured; no impairment
Loans receivable	–	**13,333,333**	Loans made by CARD LFC	Interest at 5% per annum	Unsecured; no impairment
Accounts payable	**377,715**	**2,790**	Unpaid expenses incurred in leasing Association's equipment	On-demand; noninterest-bearing	Unsecured; no i mpairment
CARD Bank, Inc.					
Cash and cash equivalents	**1,650,350,460**	**29,283,038**	Various	On demand; interest at 2% for regular savings deposit and 5% to 6% for time deposit%	Unsecured; no impairment
Accounts receivable	**287,528,458**	**5,613,279**	Unremitted collection of members contribution	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	**18,821,022**	**387,477**	Unpaid claims expenses and rental	On-demand; noninterest-bearing g	Unsecured
Rental income	**662,433**	**193,683**	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured
Interest income	**4,290,870**	–	Income received from office space rentals	On-demand; interest at 2.00% for regular savings deposit and 4.00% for time deposit	Unsecured
RISE					
Loans receivable	**5,000,000**	**5,000,000**	Loan made by RISE	On-demand; interest at 6.00% per annum	Unsecured; no impairment

December 31, 2013

Category	Amount	Outstanding	Nature	Terms	Conditions
Associates					
CMIT					
Accounts receivable	₱96,350	₱367	Unremitted collection of members contribution	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	179,260	60	Unpaid services provided in maintaining the Association's system	On-demand; noninterest-bearing	Unsecured
Rental income	142,500	–	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured

(Forward)

Category	Amount	Outstanding	Nature	Terms	Conditions
BotiCARD					
Accounts receivable	₱41,519	₱16,325	Unpaid collection of members' contribution	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	2,309,565	2,309,565	Unpaid medicines and administrative expenses incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Rental income	50,000	–	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured
Affiliates					
CaMIA					
Accounts receivable	142,714,950	105,530,386	Claims unpaid to members who avail CaMIA products	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	85,462,879	10,537,230	Premiums uncollected from CaMIA products	On-demand; noninterest-bearing	Unsecured
Held in trust	3,795,686	801,740	Premiums uncollected without return stub	On-demand; noninterest-bearing	Unsecured
Rental income	95,000	–	Income received from office space rental	On-demand; noninterest-bearing	Unsecured; no impairment
CMDI					
Accounts receivable	283,369	–	Unremitted collection of members' contribution	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	278,873	278,873	Unpaid expenses for administration and training cost of staffs	On-demand; noninterest-bearing	Unsecured
CARD, Inc.					
Accounts receivable	580,016,156	12,174,571	Unremitted collection of members' contribution	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	149,297,624	23,507,396	Unpaid claims and expenses incurred	On-demand; noninterest-bearing	Unsecured
Cash and cash equivalents	1,435,351,950	240,999,684	Various	On demand; interest at 2% for regular savings deposit and 5% to 6% for time deposit%	Unsecured; no impairment
CARD SME					
Cash and cash equivalents	318,680,445	90,823,806	Various	On-demand; interest at 2.00% for regular savings deposit and 4.00% for time deposit	Unsecured; no impairment
Accounts receivable	118,758,596	–	Unremitted collection of members' contribution	On-demand; noninterest-bearing	Unsecured; no impairment

(Forward)

Category	Amount	Outstanding	Nature	Terms	Conditions
Accounts payable	₱3,567,118	₱3,519,400	Unpaid claims and expenses incurred	On-demand; noninterest-bearing g	Unsecured
Interest income	982,478	–	Income received from office space rentals	On-demand; interest at 2.00% for regular savings deposit and 4.00% for time deposit	Unsecured
CARD BDSFI					
Accounts receivable	4,583,184	7,874	Unpaid collection of members' contribution	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	1,057,580	1,052,490	Unpaid administration and training incurred	On-demand; noninterest-bearing	Unsecured
CARD EMPC					
Accounts receivable	119,392	3,811	Unpaid collection of members (CARD EMPC staff) contribution	On-demand; noninterest-bearing	Unsecured; no impairment
Loans receivable	20,000,000	18,333,333	Loan made by EMPC	On-demand; interest at 5.00% per annum	Unsecured; no impairment
Accounts payable	14,800	–	Unpaid administrative expenses incurred for Association's staff	On-demand; noninterest-bearing	Unsecured
Rizal Rural Bank					
Cash and cash equivalents	33,405,262	21,076,207		On-demand; interest at 2.00% for regular savings deposit and 4.00% for time deposit	Unsecured; no impairment
Accounts receivable	12,431,517	2,157	Unremitted collection of members contribution	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	4,628	–	Unpaid claims and expenses incurred	On-demand; noninterest-bearing	Unsecured
Interest income	628,121	–	Income from deposits made (included in cash and cash equivalents)	On-demand; interest at 2.00% for regular savings deposit and 4.00% for time deposit	Unsecured
CLFC					
Accounts receivable	25,023	24,593	Unremitted collection of members 'contribution	On-demand; noninterest-bearing	Unsecured; no impairment
Loans receivable	20,000,000	20,000,000	Loans made by CLFC	Interest at 5% per annum	Unsecured; no impairment
Accounts payable	314,758	46,778	Unpaid expenses incurred in leasing Association's equipment	On-demand; noninterest-bearing	Unsecured; no impairment

In September 2014, the Association together with CaMIA and Aniceta R. Alip, acquired a parcel of land with an area of two thousand thirty-nine (2,039) square meters (sqm) from Alveo Land Corporation (Alveo) described as Lot 1, Block 3, Phase 2 in Westborough Town Center, Brgy. Inchican, Silang, Cavite. The parties mutually agreed their specific ownership of the property.

PARTICULARS	CARD MBA	CAMIA	ANICETA R. ALIP	TOTAL
Lot Size (sqm)	1,700	139	200	2,039
Purchase Price*	₱46,282,912	₱3,784,308	₱5,445,048	₱55,512,270
Payments Made**	24,587,777	2,010,414	2,892,679	29,490,870
Unpaid Balance ***	23,053,142	1,884,934	2,712,134	27,650,210

** inclusive of VAT*
*** inclusive of reservation fee, 30% down-payment and 1st installment*
****inclusive of other charges*

One of the lot limitations is that it cannot be subdivided or partitioned. Maximum of two consolidated lots may later be subdivided into its original components. Resulting lots shall not be smaller in area than the smallest lot before consolidation and shall have adequate access to a designated street for vehicular ingress and egress, whether directly or by grant of right-of-way.

27. Employee Benefits

The Association maintains a funded and formal noncontributory retirement plan - the CARD Multi-Employer Retirement Plan – covering all employees. The plan has a projected unit cost format and is financed by the Association. The plan complies with the requirement of Republic Act No. 7641 and provides lump sum benefits upon retirement, death, total and permanent disability, involuntary separation (except for cause) or voluntary separation after completion of at least ten years of service with the participating institutions.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The Association also provides additional post employment healthcare benefits to certain senior employees.

Changes in funded retirement plan are as follows:

	2014												
		Net benefit cost in statement of comprehensive income					Remeasurements in other comprehensive income						
	At January 1	Current service cost	Net interest	Subtotal	Benefits paid	Transfer to plan	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	Actuarial changes arising from changes in experience	Subtotal	Contribution by employer	At December 31
Present value of defined benefit obligation	₱56,049,721	₱9,655,132	₱3,575,972	₱13,231,104	(₱469,046)	₱734,695	₱–	(₱9,361,608)	(₱27,602,131)	(₱3,067,140)	(₱40,030,879)	₱–	₱29,515,595
Fair value of plan assets	(22,427,775)	–	(2,029,120)	(2,029,120)	469,046	(734,695)	1,061,398	–	–	–	1,061,398	(18,487,572)	(42,148,718)
	₱33,621,946	₱9,655,132	₱1,546,852	₱11,201,984	₱–	₱–	₱1,061,398	(₱9,361,608)	(₱27,602,131)	(₱3,067,140)	(₱38,969,481)	(₱18,487,572)	(₱12,633,123)

	2013												
		Net benefit cost in statement of comprehensive income							Remeasurements in other comprehensive income				
	At January 1	Current service cost	Past service cost	Net interest	Subtotal	Benefits paid	Transfer to plan	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	Subtotal	Contribution by employer	At December 31
Present value of defined benefit obligation	₱42,735,900	₱9,064,134	₱–	₱2,666,720	₱11,730,854	₱ (182,321)	₱932,812	₱–	₱2,900,461	(₱2,067,985)	₱832,476	₱–	₱56,049,721
Fair value of plan assets	(14,745,659)	–	–	(1,132,797)	(1,132,797)	182,321	(932,812)	266,957	–	–	266,957	(6,065,785)	(22,427,775)
	₱27,990,241	₱9,064,134	₱–	₱1,533,923	₱10,598,057	₱–	₱–	₱266,957	₱2,900,461	(₱2,067,985)	₱1,099,433	(₱6,065,785)	₱33,621,946

The principal actuarial assumptions used in determining retirement liability for the Association's retirement plan are shown below:

	2014	2013
Discount rate	**4.46%**	6.38%
Salary increase rate	**7.00%**	12.00%

The fair value of net plan assets by each class is as follows:

	2014	2013
Assets		
Cash and cash equivalents	**₱16,571,620**	₱12,158,098
Investment in equity	**–**	141,295
Investment in government bonds	**19,334,154**	8,172,682
Investment in mutual funds	**398,171**	309,504
Loans	**4,672,455**	1,386,037
Others	**1,172,318**	260,162
	₱42,148,718	₱22,427,778

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2014, assuming if all other assumptions were held constant:

	Increase (decrease)	Effect on defined pension plan
Discount rates	+100 basis points	(₱6,216,452)
	+100 basis points	8,112,007
Future salary increases	+100 basis points	7,483,666
	+100 basis points	(5,930,618)

The Association expects to contribute ₱7.83 million to the defined pension plan in 2015.

The average duration of the defined benefit obligation at the end of the reporting period is 28.6 years.

Shown below is the maturity analysis of the undiscounted benefit payments:

	December 31, 2014
Less than 1 year	₱–
More than 1 year to 5 years	–
More than 5 years to 10 years	–
More than 10 years to 15 years	–
More than 15 years to 20 years	–
More than 20 years	–

The Association paid salaries and other benefits to its employees amounting to ₱68.12 million and ₱ 57.34 million, respectively.

28. **Management of Insurance and Financial Risks**

Governance Framework
The Association has established a risk management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity, insurance and operational risk. It also supports the effective implementation of policies at the overall association and individual business unit levels.

The policies define the Association's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, alignment of underwriting and reinsurance strategies to the corporate goals and specify reporting requirements.

Regulatory Framework
Regulators are interested in protecting the rights of the members and maintain close vigil to ensure that the Association is satisfactorily managing affairs for the member's benefit. At the same time, the regulators are also interested in ensuring that the Association maintains appropriate solvency position to meet liabilities arising from claims and that the risk levels are at acceptable levels.

The operations of the Association are subject to the regulatory requirements of the IC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions (e.g., margin of solvency to minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise, minimum guaranty fund, risk-based capital requirements).

Guaranty fund
As a mutual benefit association, the IC also requires the Association to possess a guaranty fund of ₱5.00 million. This minimum amount shall be maintained at all times and it must be increased by an amount equivalent to 5% of the Association's gross premium collections until the guaranty fund reaches 12.5% of the minimum paid up capital for domestic life insurance companies or ₱125.00 million. As of December 31, 2014 and 2013, the Association has a total of ₱125.6 million, in 2014 and in 2013, representing guaranty fund which is deposited with the IC (Notes 12 and 30).

Fixed capital requirements
In September 2006, the Department of Finance issued Order 27-06 increasing the capitalization requirements for life, nonlife and reinsurance companies on a staggered basis for the years ended December 31, 2006 up to 2011. Depending on the level of the foreign ownership in the insurance Association, the minimum statutory net worth and minimum paid-up capital requirements vary. The minimum paid-up capital is pegged at 25% of the minimum statutory net worth.

As of December 31, the required minimum statutory net worth and minimum paid up capital for the Association follows:

	2014	2013
Minimum statutory net worth	**₱400,000,000**	₱1,000,000,000

IMC No. 26-2008 provides that in view of the compliance of insurance companies with the requirement of IMC 10-2006, the scheduled increase due December 31, 2008 have been deferred for a year. Hence, the IMC reiterates that by December 31, 2011, insurance companies should comply with the increase previously scheduled for December 31, 2011. As of December 31, 2014 and 2013, the Association has complied with this requirement.

Risk-based capital requirements (RBC)
In October 2006, the IC issued IMC NO. 6-2006 adopting the RBC framework for the life insurance industry to establish the required amounts of capital to be maintained by entities in relation to their investment and insurance risks. Every life insurance entity is annually required to maintain a minimum RBC ratio of 100.00% and not fail the trend test. Failure to meet the minimum RBC ratio shall subject the insurance entity to the corresponding regulatory intervention which has been defined at various levels.

The RBC ratio shall be calculated as Member's equity divided by the RBC requirement whereas, Members' equity is defined as admitted assets minus all liabilities inclusive of actuarial reserves and other policy obligations.

The following table shows how the RBC ratio was determined by the Association based on its calculation:

	2014	2013
Member's equity	**₱1,214,461,227**	₱1,224,580,095
RBC requirement	**366,365,546**	351,439,323
RBC Ratio	**331.49%**	348.44%

The final amount of the RBC ratio can be determined only after the accounts of the Association have been examined by the IC specifically as to admitted and non-admitted assets as defined under the same Code.

The main risks arising from the Association's financial instruments follow:

Insurance Risk
The principal risk the Association faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long term claims. Therefore, the objective of the Association is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines, as well as the use of reinsurance arrangements for the loan redemption fund. ounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract. Although the Association has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus, a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Association's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Association substantially dependent upon any single reinsurance contract.

Underwriting risk
Underwriting risk represents the exposure to loss resulting from actual policy experience adversely deviating from assumptions made in the product pricing. Underwriting risks are brought about by a combination of the following:

- *Mortality risk* - risk of loss arising due to policyholder death experience being different than expected.
- *Morbidity risk* - risk of loss arising due to policyholder health experience being different than expected.
- *Investment return risk* - risk of loss arising from actual returns being different than expected.
- *Expense risk* - risk of loss arising from expense experience being different than expected.
- *Policyholder decision risk* - risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

These risks do not vary significantly in relation to the location of the risk insured by the Association, type of risk insured and by industry. Undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Association's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Association has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims. Insurance contracts also entitle the Association to pursue third parties for payment of some or all cost. The Association further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Association.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

Mortality and morbidity rates
Assumptions are based on standard industry and national tables, according to the type of contract written, reflecting recent historical experience and which are adjusted where appropriate to reflect the Association's own experiences. An appropriate but not excessive prudent allowance is made for expected future improvements.

An increase in rates will lead to a larger number of claims and claims could occur sooner than anticipated, which will increase the expenditure and decrease the funds of the Association.

Investment return
The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments. An increase in investment return would lead to a reduction in expenditure and an increase in the funds of the Association.

Expenses
Operating expenses assumptions reflect the projected costs of maintaining and servicing in force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation adjustments if appropriate. An increase in the level of expenses would result in an increase in expenditure thereby reducing the funds of the Association.

Lapse and surrender rates
Lapses relate to the termination of policies due to nonpayment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on Association's experience and vary by product type, policy duration and sales trends.

An increase in lapse rates early in the life of the policy would tend to reduce the funds of the Association, but later increases are broadly neutral in effect.

Discount rate
Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the Association's own risk exposure.

A decrease in the discount rate will increase the value of the liability.

Sensitivities
The analysis below is performed for a reasonable possible movement in key assumptions with all other assumptions held constant, on the statement of revenue and expenses. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities. It should also be stressed that these assumptions are nonlinear and larger or smaller impacts cannot easily be gleaned from these results. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees.

2014

	Increase of 1.00% on discount rate and decrease of 25.00% on mortality rate	**Increase of 1.00% on discount rate and decrease of 25.00% on mortality rate**
Increase (decrease) on liabilities	₱796,578,791	(₱864,787,096)
Increase (decrease) on revenue	(796,578,791)	864,787,096

2013

	Increase of 1.00% on discount rate and decrease of 25.00% on mortality rate	Increase of 1.00% on discount rate and decrease of 25.00% on mortality rate
Increase (decrease) on liabilities	₱661,379,390	(₱718,110,171)
Increase (decrease) on revenue	(661,379,390)	718,110,171

The sensitivity analyses take into account upward movements in the discount rates and upward and downward movements in mortality and morbidity rates. These do not necessarily represent management's view of expected future rate changes.

Financial instruments

The Association's principal financial instruments are cash and cash equivalents, time-deposits, receivables, financial assets at FVPL, AFS financial assets, HTM investments, accounts payable and accrued expenses. The main purpose of these financial instruments is to finance their operations.

The following table sets forth the carrying values and estimated fair values of financial assets and liabilities recognized as of December 31, 2014 and 2013:

	2014		2013	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Loans and receivables				
Cash and cash equivalents	**₱275,692,723**	**₱275,692,723**	₱642,567,435	₱642,567,435
Short-term investments	**168,257,482**	**168,257,482**	240,980	240,980
Long-term investments	**72,681,045**	**72,681,045**	72,681,045	72,681,045
Receivables				
Accrued interest receivable	**57,380,018**	**57,380,018**	51,223,205	51,223,205
Accounts receivables	**64,514,057**	**64,514,057**	136,283,316	136,283,316
Loans receivable	**31,666,667**	**31,666,667**	38,333,333	38,333,333
Other receivables	**4,157,791**	**4,157,791**	1,689,919	1,689,919
Financial assets at FVPL	**20,180,000**	**20,180,000**	21,040,000	21,040,000
AFS financial assets				
Quoted	**345,966,894**	**345,966,894**	342,890,889	342,890,889
Unquoted	**163,691,400**	**163,691,400**	171,191,400	171,191,400
HTM investments	**5,104,317,821**	**5,276,237,773**	3,741,083,915	3,957,888,385
	₱6,308,505,898	**₱6,480,425,850**	₱5,219,225,437	₱5,436,029,907
Financial Liabilities				
Accounts payable and accrued expenses	**₱110,176,583**	**₱110,176,583**	₱70,602,938	₱70,602,938

Due to the short-term nature of transactions, the carrying amounts of financial instruments such as cash and cash equivalents, short-term investments, receivables, refundable deposits, financial assets at FVPL, quoted equity securities classified as AFS financial assets, accounts payable and accrued expenses approximate their fair values.

For unquoted equity investments classified as AFS, these investments are carried at cost less allowance for impairment losses due to the unpredictable nature of future cash flows and the lack of suitable methods for arriving at a reliable fair value.

For investments in mutual fund companies, fair values are established by reference to published net asset values.

Fair value hierarchy

The Association uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of December 31, 2014 and 2013, the fair value of the AFS financial assets of the Association amounted to ₱345,966,894 and ₱342,890,889, respectively.

The Association classifies AFS financial assets under Level 1 of the fair value hierarchy, except for the unlisted equity securities that do not have quoted market prices in an active market which are measured at cost and hence, not included above. During the reporting period ended December 31, 2014 and 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Financial Risks

The Association is exposed to financial risk through its financial assets, financial liabilities and insurance liabilities. In particular, the key financial risk that the Association is exposed to is that the proceeds from its financial assets may not be sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk.

These risks arise from open positions in interest rate, currency and debt securities products, all of which are exposed to general and specific market movements.

Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the Association's exposure to credit risk:

a. The credit risk in respect of customer balances, incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document or when the policy is either paid up or terminated.

b. Reinsurance is placed with highly rated counterparties and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and update the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

c. The Association sets the maximum amounts and limits that may be advanced to corporate counterparties by reference to their long term credit ratings.

The table below shows the maximum exposure to credit risk for the components of the statements of financial position.

	2014	2013
Financial Assets		
Loans and receivables		
Cash and cash equivalents (excluding cash on hand amounting ₱3.33 million and ₱3.41 million in 2014 and 2013, respectively)	**₱272,361,766**	₱639,161,440
Short-term investments	**168,257,482**	240,980
Long-term investment	**72,681,045**	72,681,045
Receivables		
Accounts receivables	**81,305,424**	137,026,494
Accrued interest receivable	**57,380,018**	51,223,205
Loans receivable	**31,666,667**	38,333,333
Advances for future stocks subscriptions	**3,000,000**	3,000,000
Other receivables	**4,157,791**	1,689,919
Financial assets at FVPL	**20,180,000**	21,040,000
AFS financial assets		
Quoted	**345,966,894**	342,890,889
Unquoted	**163,691,400**	171,191,400
HTM investments	**5,104,317,821**	3,741,083,915
	₱6,324,966,308	₱5,219,562,620

The credit risk is concentrated on the following:

	2014	2013
Related parties	**₱397,049,114**	₱705,366,213
Unrelated parties	**5,927,917,194**	4,514,196,407
	₱6,321,966,308	₱5,219,562,620

The table below provides information regarding the credit risk exposure of the Association by classifying assets according to the Association's credit ratings of counterparties as of December 31, 2014 and 2013.

2014

	Neither Past-Due nor Impaired			
	Investment Grade	Non-investment Grade	Past Due and Impaired	Total
Financial Assets				
Loans and receivables				
Cash and cash equivalents	₱272,361,766	₱–	₱–	₱272,361,766
Short-term investments	168,257,482	–	–	168,257,482
Long-term investments	72,681,045	–	–	72,681,045
Receivables				
Accounts receivables	64,514,057	–	16,791,367	81,305,424
Accrued interest receivable	57,380,018	–	–	57,380,018
Loans receivable	31,666,667	–	–	31,666,667
Advances for future stocks subscription	3,000,000			3,000,000
Other receivables	2,247,368	1,164,083	746,340	4,157,791
Financial assets at FVPL	20,180,000	–	–	20,180,000
AFS financial assets				
Quoted	345,966,894	–	–	345,966,894
Unquoted	163,691,400	–	–	163,691,400
HTM investments	5,104,317,821	–	–	5,104,317,821
	₱6,306,264,518	₱1,164,083	₱17,537,707	₱6,324,966,308

2013

	Neither Past-Due nor Impaired			
	Investment Grade	Non-investment Grade	Past Due and Impaired	Total
Financial Assets				
Loans and receivables				
Cash and cash equivalents	₱639,161,440	₱ –	₱ –	₱639,161,440
Short-term investments	240,980	–	–	240,980
Long-term investments	72,681,045			72,681,045
Receivables				
Accounts receivables	136,328,316	–	698,178	137,026,494
Accrued interest receivable	51,223,205	–	–	51,223,205
Loans receivable	38,333,333	–	–	38,333,333
Advances for future stocks subscription	3,000,000			3,000,000
Other receivables	–	1,299,535	390,384	1,689,919
Financial assets at FVPL	21,040,000	–	–	21,040,000
AFS financial assets				
Quoted	342,890,889	–	–	342,890,889
Unquoted	171,191,400	–	–	171,191,400
HTM investments	3,741,083,915	–	–	3,741,083,915
	₱5,217,174,523	₱1,299,535	₱1,088,562	₱5,219,562,620

The Association uses a credit rating concept based on the borrowers and counterparties' overall credit worthiness, as follows:

Investment grade - Rating given to borrowers and counterparties who possess strong to very strong capacity to meet its obligations.

Non-investment grade - Rating given to borrowers and counterparties who possess above average capacity to meet its obligations.

The Association trades only with members who are also members of the related parties. The receivables represent mostly collections of the related parties pertaining to contributions for premiums for life insurance, loan redemption assistance and provident fund unremitted to the Association. Receivables are generally on a 1-30 days terms and are all current. All receivables are neither past due nor impaired.

The Association conducts periodic review of allowance for credit losses each financial year through examining the financial position of the related party and the market in which the related party operates.

Liquidity risk
This risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments.

The following policies and procedures are in place to mitigate the Association's exposure to liquidity risk:

a) The Association's liquidity risk policy sets out the assessment and determination of what constitutes liquidity risk for the Association. Compliance with the policy is monitored and exposures and breaches are reported to the management. The policy is regularly reviewed for pertinence and for changes in the risk environment.

b) Set guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance and investment contracts obligations.

The following table shows an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within one (1) year and beyond one (1) year from reporting date:

2014

	Up to one year	1-3 years	3-5 years	Over 5 years	No term	Total
Financial assets						
Loans and receivables						
Cash and other cash items	**₱275,692,723**	**₱–**	**₱–**	**₱–**	**₱–**	**₱275,692,723**
Short-term investments	**168,257,482**	**–**	**–**	**–**	**–**	**168,257,482**
Long-term investments	**–**	**1,615,074**	**71,065,971**	**–**	**–**	**72,681,045**
Receivables						
Accounts receivables	**74,864,132**	**6,441,292**	**–**	**–**	**–**	**81,305,424**
Accrued interest receivable	**57,380,018**	**–**	**–**	**–**	**–**	**57,380,018**
Loans receivables	**31,666,667**	**–**	**–**	**–**	**–**	**31,666,667**
Advances for future stocks subscription	**3,000,000**	**–**	**–**	**–**	**–**	**3,000,000**
Other receivables	**3,797,650**	**360,141**	**–**	**–**	**–**	**4,157,791**
Financial assets at FVPL	**20,180,000**	**–**	**–**	**–**	**–**	**20,180,000**
AFS financial assets	**–**	**–**	**–**	**–**	**509,658,294**	**509,658,294**
HTM investments	**123,744,835**	**892,125,526**	**30,000,000**	**4,058,447,460**	**–**	**5,104,317,821**
	₱758,583,507	**₱900,542,033**	**₱101,065,971**	**₱4,058,447,460**	**₱509,658,294**	**₱6,328,297,265**
Financial liabilities						
Other financial liabilities						
Accounts payable - CAMIA	**₱58,607,490**	**₱–**	**₱–**	**₱–**	**₱–**	**₱58,607,490**
Claims payable	**24,413,140**	**–**	**–**	**–**	**–**	**24,413,140**
Accounts payable - Alveo	**23,053,142**	**–**	**–**	**–**	**–**	**23,053,142**
Collection fee payable	**19,309,153**	**–**	**–**	**–**	**–**	**19,309,153**
Accrued expenses	**7,144,386**	**–**	**–**	**–**	**–**	**7,144,386**
Held in trust - CAMIA	**1,412,974**	**–**	**–**	**–**	**–**	**1,412,974**
	₱133,940,285	**₱–**	**₱–**	**₱–**	**₱–**	**₱133,940,285**

2013

	Up to one year	1-3 years	3-5 years	Over 5 years	No term	Total
Financial assets						
Loans and receivables						
Cash and other cash items	₱639,161,440	₱–	₱–	₱–	₱–	₱639,161,440
Short-term investments	240,980	–	–	–	–	240,980
Long-term investments	–	1,615,074	71,065,971	–	–	72,681,045
Receivables						
Accounts receivables	137,026,494	–	–	–	–	137,026,494
Accrued interest receivable	51,223,205	–	–	–	–	51,223,205
Loans receivables	18,333,333	20,000,000	–	–	–	38,333,333
Advances for future stocks subscription	3,000,000	–	–	–	–	3,000,000
Other receivables	1,689,919	–	–	–	–	1,689,919
Financial assets at FVPL	21,040,000	–	–	–	–	21,040,000
AFS financial assets	–	–	–	–	514,082,289	514,082,289
HTM investments	255,926,308	1,023,881,956	1,545,232,159	916,043,492	–	3,741,083,915
	₱1,127,641,679	₱1,045,497,030	₱1,616,298,130	₱916,043,492	₱514,082,289	₱5,219,562,620
Financial liabilities						
Other financial liabilities						
Collection fee payable	₱50,440,961	₱–	₱–	₱–	₱–	₱50,440,961
Claims payable	15,326,342	–	–	–	–	15,326,342
Accounts payable - CAMIA	10,537,230	–	–	–	–	10,537,230
Accrued expenses	7,242,228	–	–	–	–	7,242,228
Held in trust - CAMIA	801,740	–	–	–	–	801,740
	₱84,348,501	₱–	₱–	₱–	₱–	₱84,348,501

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

The following policies and procedures are in place to mitigate the Association's exposure to market risk:

a. The market risk policy sets out the assessment and determination of what constitutes market risk for the Association. Compliance with the policy is monitored and exposures and breaches are reported to the association risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.

b. Set asset allocation and portfolio limit structure, to ensure that assets back specific member liabilities and that assets are held to deliver income and gains for members which are in line with expectations of the members.

c. Stipulated diversification benchmarks by type of instrument, as the association is exposed to guaranteed bonuses, cash and annuity options when interest rates falls.

Currency risk
The Association's principal transactions are carried out in Philippine peso and its foreign exchange risk arises primarily with respect to U.S. dollars, in which some of its investments are denominated.

The following table shows the details of the Association's foreign currency denominated monetary assets and liabilities and their Philippine peso equivalents.

	2014		2013	
	U.S. Dollar[1]	**Peso Equivalent**	U.S. Dollar[1]	Peso Equivalent
Cash in bank	**$3,633**	**₱162,110**	$11,517	₱511,530
Short-term investments	**5,463**	**243,761**	5,426	240,980
Total	**$9,096**	**₱405,871**	$16,943	₱752,510

[1] The exchange rate used was ₱44.17 to US$ 1.00 in 2014 and ₱44.41 to US$ 1.00 in 2013.

Sensitivity analysis
The following table demonstrates sensitivity to a reasonably possible change in the Philippine Peso exchange rate, with all other variables held constant, of the Association's income before income tax (due to changes in the fair value of currency sensitive monetary assets and liabilities).

	Currency	**Increase (decrease) in Philippine Peso rate**	**Effect on Profit**
2014	**USD**	+1.00	₱4,059
		-1.00	(₱4,059)
2013	USD	+2.05	₱15,426
		-2.05	(₱15,426)

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

Floating rate instruments expose the Association to cash flow interest risk, whereas fixed interest rate instruments expose the Association to fair value interest risk.
The Association's interest risk policy requires it to manage interest rate risk by maintaining appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the

maturities of interest-bearing financial assets and interest-bearing financial liabilities. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until the maturity.

The following table shows the information relating to the Association's financial instruments as of December 31, 2014 and 2013 that are exposed to fair value interest rate risk presented by maturity profile.

2014

	Range of interest rate	**Up to a year**	**Over one (1) year**
Cash and cash equivalents-regular deposit	**.125% to 1.50%**	**₱99,653,077**	**₱–**
Cash and cash equivalents-time deposits	**1.15% to 2%**	**284,394,655**	**–**
Short-term investments	**.75% to 1.50%**	**56,556,985**	**–**
Long term investments	**6%**	**72,681,045**	**–**
HTM investments	**4.63% to 9.00%**	**123,744,835**	**4,980,572,986**
Total financial assets		**₱637,030,597**	**₱4,980,572,986**

2013

	Range of interest rate	Up to a year	Over one (1) year
Cash and cash equivalents-regular deposit	1.25% to 2.00%	₱197,875,149	₱–
Cash and cash equivalents-time deposits	1.00% to 4.00%	444,692,286	–
Short-term investments	0.75% to 1.00%	72,922,025	–
HTM investments	1.625% to 9.00%	255,926,308	3,485,157,607
Total financial assets		₱971,415,768	₱3,485,157,607

Price risk
The Association's price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, AFS investments. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Association's investment policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plan, and limits on investment in each country, sector and market. Investments in derivatives are also not allowed.

Sensitivity analysis
The following table demonstrates sensitivity to a reasonably possible change in the market value of investments in mutual fund companies, with all other variables held constant, of the Association's equity (due to changes in the net asset value of mutual funds).

	Amount	**Increase (decrease) in fair value**	**Impact on fund balance**
2014	**₱269,819,559**	**+13%**	**₱35,076,543**
		-13%	**(35,076,543)**
2013	₱266,743,554	+9.00%	₱24,006,920
		-9.00%	(24,006,920)

29. Commitment and Contingencies

There were no commitments, guarantees and contingent liabilities that arose in the normal course of the Association's operations which are not reflected in the Association's financial statements. As of December 31, 2014 and 2013, management is of the opinion that losses, if any, from these commitments, guarantees and contingent liabilities will not have a material effect on the Association's financial statements.

30. Appropriated Fund Balance

The Association's BOT approved the appropriation of the following:

	Guaranty fund (Note 12)	CDRAP	AKAP CARD	MAHP	TOTAL
At January 1, 2013	₱126,900,679	₱26,000,000	₱18,508,500	₱22,500,000	₱193,909,179
Appropriation	–	91,700,000	–	–	91,700,000
Utilization of appropriation	–	(27,251,515)	(18,508,500)	(22,500,000)	(68,260,015)
At December 31, 2013	**₱126,900,679**	**₱90,448,485**	**₱–**	**₱–**	**₱217,349,164**
Appropriation	**–**	**66,500,000**	**–**	**–**	**66,500,000**
Reversal of appropriation	–	**(90,448,485)**	–	–	**(90,448,485)**
Utilization of appropriation	**–**	**(50,820,489)**	**–**	**–**	**(50,820,489)**
At December 31, 2014	**₱126,900,679**	**₱15,679,511**	**₱–**	**₱–**	**₱142,580,190**

The Association is required to increase the guaranty fund based on the 5.00% annual gross premium collections until the guaranty fund reaches 12.50% of the minimum paid up capital for domestic life insurance companies or ₱125.00 million, whichever is higher.

The Association appropriated ₱66.5 million in 2014 and ₱91.7 million in 2013 for CARD MRI Disaster Relief Assistance Program (CDRAP) aimed at providing relief assistance to its members and dependents during calamities and other disasters in the form of cash or relief goods.

31. Notes to Statements of Cash Flows

The Association's principal noncash investing activity in 2013 pertains to the stock dividend from CARD Bank, Inc. amounting to ₱6.29 million (see Note 11).

32. **Supplementary Tax Information Required Under Revenue Regulations 15-2010**

The Association reported and/or paid the following types of taxes in 2014:

Value added tax (VAT)
As a nonstock, not-for-profit and mutual benefit association, the Association was granted tax exemption with respect to income and value-added taxes as provided under the National Internal Revenue Code of 1997 as amended by Republic Act 8424 known as the Comprehensive Tax Reform Program by the Bureau of Internal Revenue (Note 1).

a. Net Sales/Receipts and Output VAT declared in the Association's VAT returns follows:

   The Association is exempt from VAT.

b. Details of Input VAT follow:

   The Association is exempt from VAT.

c. Information on the Association's importations

   The Association does not undertake importation activities.

d. Taxes and Licenses

   This includes all other taxes, local and national, including real estate taxes, license and permit fees lodged under the caption 'Taxes and Licenses' under the 'General and Administrative Expenses' section in the Association's statements of income.

   Details consist of the following:

Local tax	
License and permit fees	₱749,782
Real property taxes	743,556
Documentary stamp taxes	987
Others	47,905
	1,542,230
National tax	
Registration fees	18,625
	₱1,560,855

e. Withholding Taxes

   Details consist of the following:

Withholding taxes on compensation and benefits	₱2,773,280
Expanded withholding taxes	476,681
	₱3,249,961

f. Tax Assessments and Cases

   The Association has not been involved in any tax case under preliminary investigation, litigation and/or prosecution in courts or bodies outside the Bureau of Internal Revenue.

CENTER FOR AGRICULTURE AND RURAL DEVELOPMENT (CARD) MUTUAL BENEFIT ASSOCIATION, INC.
(A Nonstock, Not-for-Profit Association)

SUPPLEMENTARY SCHEDULE REQUIRED UNDER SECURITIES REGULATOR CODE RULE 68, AS AMENDED (2011)
DECEMBER 31, 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	*Not early adopted*		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	*Not early adopted*		
PFRS 8	Operating Segments			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PFRS 9	Financial Instruments	*Not early adopted*		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	*Not early adopted*		
	Amendments to PFRS 9: New Hedge Accounting Requirements			
PFRS 10	Consolidated Financial Statements	*Not early adopted*		
	Amendments to PFRS 10, PRFS 12 and PAS 27: Exception to Consolidation*			
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	*Not early adopted*		
	Amendments to PFRS 10, PRFS 12 and PAS 27: Exception to Consolidation			
PFRS 13	Fair Value Measurement	*Not early adopted*		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	*Not early adopted*		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes			✓
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
PAS 19 (Amended)	Employee Benefits	*Not early adopted*		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements			✓
	Amendments to PFRS 10, PRFS 12 and PAS 27: Exception to Consolidation			✓
PAS 27 (Amended)	Separate Financial Statements			
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	*not early adopted*		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	*not early adopted*		
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets*			
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 39 *(cont'd)*	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting			
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*			✓
IFRIC 9	*Reassessment of Embedded Derivatives*			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 11	*PFRS 2- Group and Treasury Share Transactions*			✓
IFRIC 12	*Service Concession Arrangements*			✓
IFRIC 13	*Customer Loyalty Programmes*			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

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

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Center for Agriculture and Rural Development (CARD)
Mutual Benefit Association, Inc.
Colago Avenue, Barangay 1-A
San Pablo City, Laguna

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Center for Agriculture and Rural Development (CARD) Mutual Benefit Association, Inc. as at and for the years ended December 31, 2014 and 2013 and have issued our report thereon dated March 23, 2015. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Association's schedule of all the effective standards and interpretations under PFRS as of December 31, 2014 is the responsibility of the Association's management. This schedule is presented for the purpose of complying with Securities Regulation Code Rule 68, As Amended (2011) and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Bernalette L. Ramos
Partner
CPA Certificate No. 0091096
SEC Accreditation No. 0926-AR-1 (Group A),
April 15, 2013, valid until April 14, 2016
Tax Identification No. 178-486-666
BIR Accreditation No. 08-001998-81-2012,
June 19, 2012, valid until June 18, 2015
PTR No. 4751347, January 6, 2015, Makati City

March 23, 2015

SGVFS009531