CARD MRI Information Technology, Inc.

Financial Statements
December 31, 2015 and 2014

and

Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
CARD MRI Information Technology, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of CARD MRI Information Technology, Inc., which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of income, statements of comprehensive income, statements of changes in equity 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 the 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of CARD MRI Information Technology, Inc. as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 23 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 CARD MRI Information Technology, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Ray Francis C. Balagtas

Ray Francis C. Balagtas
Partner
CPA Certificate No. 108795
SEC Accreditation No. 1510-A (Group A),
October 1, 2015, valid until September 30, 2018
Tax Identification No. 216-950-288
BIR Accreditation No. 08-001998-107-2015,
March 4, 2015, valid until March 3, 2018
PTR No. 5321607, January 4, 2016, Makati City

March 11, 2016

CARD MRI INFORMATION TECHNOLOGY, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash (Note 6)	**₱61,473,148**	₱68,274,902
Accounts receivable (Notes 7 and 20)	**166,860**	589,085
Other current assets (Note 8)	**3,721,381**	1,344,588
Total current assets	**65,361,389**	70,208,575
Noncurrent Assets		
Available-for-sale investments	**577,000**	452,000
Property and equipment (Note 9)	**11,599,682**	3,003,933
Software costs (Note 10)	**33,670,042**	3,090,803
Retirement asset (Note 16)	**–**	3,792,934
Deferred tax asset (Note 19)	**1,907,457**	–
Total noncurrent assets	**47,754,181**	10,339,670
TOTAL ASSETS	**₱113,115,570**	₱80,548,245
LIABILITIES AND EQUITY		
Liabilities		
Current Liabilities		
Trade and other payables (Note 11)	**₱5,972,552**	₱5,504,498
Income tax payable	**2,486,843**	1,675,224
Total current liabilities	**8,459,395**	7,179,722
Noncurrent Liabilities		
Retirement liability (Note 16)	**682,838**	–
Deferred tax liability (Note 19)	**–**	529,788
Total noncurrent liabilities	**682,838**	529,788
	9,142,233	7,709,510
Equity		
Capital stock (Note 12)	**78,271,416**	53,763,158
Retained earnings (Note 12)	**30,004,227**	17,269,117
Remeasurement gain (loss) on retirement plan (Note 16)	**(4,302,306)**	1,806,460
	103,973,337	72,838,735
TOTAL LIABILITIES AND EQUITY	**₱113,115,570**	₱80,548,245

See accompanying Notes to Financial Statements.

CARD MRI INFORMATION TECHNOLOGY, INC.
STATEMENTS OF INCOME

	Years Ended December 31	
	2015	2014
INCOME		
Service (Note 20)	**₱90,785,704**	₱69,625,587
Interest (Notes 6 and 20)	**2,302,006**	1,889,098
Miscellaneous (Note 13)	**734,088**	93,744
	93,821,798	71,608,429
COST OF INFORMATION TECHNOLOGY SERVICES (Note 14)	**27,597,667**	22,774,941
GENERAL AND ADMINISTRATIVE EXPENSES		
Information technology expense	**9,517,882**	7,640,618
Salaries, wages and other benefits (Notes 15 and 20)	**9,467,665**	7,210,450
Management and other professional fees	**3,877,458**	2,106,642
Seminars and meetings	**2,595,654**	1,144,623
Postage, telephone, cables and telegrams	**2,533,593**	1,024,429
Fuel and lubricants	**2,220,029**	1,539,762
Honorarium	**1,991,252**	1,969,225
Rent expense (Notes 17 and 20)	**1,681,135**	807,203
Depreciation expense (Note 9)	**1,457,144**	1,098,165
Stationery and supplies used	**1,345,394**	560,896
Security, messengerial and janitorial services	**1,329,243**	715,088
Power, light and water	**1,055,084**	949,404
Staff training and development	**956,378**	2,106,932
Taxes and licenses	**503,017**	600,570
Insurance expense	**494,959**	559,736
Service fee expense	**411,431**	326,252
Miscellaneous (Note 18)	**2,233,573**	470,845
	43,670,891	30,830,840
	71,268,558	53,605,781
INCOME BEFORE INCOME TAX	**22,553,240**	18,002,648
PROVISION FOR INCOME TAX (Note 19)	**6,592,340**	5,186,473
NET INCOME	**₱15,960,900**	₱12,816,175

See accompanying Notes to Financial Statements.

CARD MRI INFORMATION TECHNOLOGY, INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2015	2014
NET INCOME	**₱15,960,900**	₱12,816,175
OTHER COMPREHENSIVE GAIN (LOSS)		
Other comprehensive gain (loss) not to be reclassified to profit or loss in subsequent periods:		
Remeasurement gain (loss) on retirement plan (Note 16)	**(8,726,809)**	8,133,187
Income tax effect	**2,618,043**	(2,439,956)
OTHER COMPREHENSIVE INCOME (LOSS)	**(6,108,766)**	5,693,231
TOTAL COMPREHENSIVE INCOME	**₱9,852,134**	₱18,509,406

See accompanying Notes to Financial Statements.

CARD MRI INFORMATION TECHNOLOGY, INC.
STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 12)	**Retained Earnings** (Note 12)	**Remeasurement Gain (Loss) on Retirement Plan** (Note 16)	**Total**
Balances at January 1, 2015	**₱53,763,158**	**₱17,269,117**	**₱1,806,460**	**₱72,838,735**
Issuance of capital stock (Note 12)	**24,508,258**	**–**	**–**	**24,508,258**
Total comprehensive income for the year	**–**	**15,960,900**	**(6,108,766)**	**9,852,134**
Dividend declared during the year (Note 12)	**–**	**(3,225,790)**	**–**	**(3,225,790)**
Balances at December 31, 2015	**₱78,271,416**	**₱30,004,227**	**(₱4,302,306)**	**₱103,973,337**
Balances at January 1, 2014	₱47,898,746	₱13,234,746	(₱3,886,771)	₱57,246,721
Issuance of capital stock (Note 12)	5,864,412	–	–	5,864,412
Total comprehensive income for the year	–	12,816,175	5,693,231	18,509,406
Dividend declared during for the year (Note 12)	–	(8,781,804)	–	(8,781,804)
Balances at December 31, 2014	₱53,763,158	₱17,269,117	₱1,806,460	₱72,838,735

See accompanying Notes to Financial Statements.

CARD MRI INFORMATION TECHNOLOGY, INC.

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱22,553,240**	₱18,002,648
Adjustments for:		
Depreciation and amortization (Notes 9 and 10)	**7,087,356**	6,984,029
Interest income (Note 6)	**(2,302,006)**	(1,889,098)
Retirement expense (Note 16)	**807,202**	2,308,825
Provision for impairment losses (Note 18)	**31,966**	–
Changes in operating assets and liabilities:		
Decrease (increase) in the amounts of:		
Accounts receivable (Notes 7 and 20)	**422,225**	(571,799)
Other current assets	**(2,359,660)**	185,806
Decrease in trade and other payables	**(1,734,112)**	(7,608,745)
Net cash generated from operations	**24,506,211**	17,411,666
Contributions to retirement fund (Note 16)	**(5,058,239)**	(1,370,598)
Income tax paid (Note 21)	**(3,401,520)**	(3,325,483)
Interest received	**2,252,907**	1,889,098
Net cash flows provided by operating activities	**18,299,359**	14,604,683
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Software (Note 10)	**(33,613,914)**	(712,629)
Property and equipment (Note 9)	**(12,648,430)**	(1,220,897)
Available-for-sale investments	**(125,000)**	(81,500)
Cash flows used in investing activities	**(46,387,344)**	(2,015,026)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of capital stock (Note 12)	**24,508,258**	5,864,412
Dividend distribution (Note 12)	**(3,222,027)**	(8,770,300)
Net cash provided by (used in) financing activities	**21,286,231**	(2,905,888)
NET INCREASE (DECREASE) IN CASH	**(6,801,754)**	9,683,769
CASH AT BEGINNING OF YEAR	**68,274,902**	58,591,133
CASH AT END OF YEAR (Note 6)	**₱61,473,148**	₱68,274,902

See accompanying Notes to Financial Statements

1. Company Information

CARD MRI Information Technology, Inc. (the Company) is a member of Center for Agriculture and Rural Development - Mutually Reinforcing Institutions (CARD-MRI) and was created primarily to provide CARD-MRI's major information technology services.

The Company is leveraging internally-developed and externally-sourced solutions to create an integrated business environment to enable the continuous growth of CARD MRI's operation. As a major service offered to its sister institutions, software development has become the expertise of the Company.

The Company was registered with the Philippine Securities and Exchange Commission (SEC) on March 12, 2010 and started commercial operations on May 2, 2010.

The Company's principal place of business is at 20 M.L. Quezon Street, City Subdivision, San Pablo City, Laguna.

2. Significant Accounting Policies

Basis of Preparation
The accompanying financial statements have been prepared on a historical cost basis. The financial statements are presented in Philippine Peso (₱), which is the Company's functional currency, and all amounts are rounded to the nearest peso unless otherwise indicated.

The financial statements provide comparative information in respect of the previous period. In addition, the Company presents an additional statement of financial position at the beginning of the earliest comparative period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the financial statements.

Statement of Compliance
The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standard (PFRS).

The Company qualifies as a Small and Medium-sized Entity (SME) under Securities Regulation Code (SRC) Rule 68, As Amended (2011). The Company availed of the exemption from adoption of the PFRS for SMEs on the basis that the Company is an associate of other CARD entities reporting under full PFRS.

Presentation of Financial Statements
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liability simultaneously.

The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Income and expenses are not offset in the statement of income unless required or permitted by any accounting standard or interpretation and as specifically disclosed in the accounting policies of the Company.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year. The following new and amended PFRSs and Philippine Accounting Standards (PAS) which were adopted by the Company on January 1, 2015 did not have any significant impact on the financial statements of the Company.

- Amendments to PAS 19, *Defined Benefit Plans: Employee Contributions*

- Annual Improvements 2010-2012 Cycle
  - PFRS 2, *Share-based Payment – Definition of Vesting Condition*
  - PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*
  - PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  - PAS 16, *Property, Plant and Equipment* and PAS 38*, Intangible Assets – Revaluation method – Proportionate Restatement of Accumulated Depreciation and Amortization*
  - PAS 24, *Related Party Disclosures – Key Management Personnel*

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

Summary of Significant Accounting Policies

Foreign Currency Transaction
For financial reporting purposes, foreign-currency-denominated monetary assets and monetary liabilities are translated into the Philippine peso equivalents using Philippine Dealing System (PDS) closing rate at end of year and foreign-currency-denominated income and expenses, at the prevailing exchange rate at the date of transaction.

Foreign exchange differences arising from revaluation and translation of foreign-currency-denominated assets and liabilities are credited to or charged against statement of income in the year in which the rates change.

Current versus Non-current Classification
The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or
- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- Expected to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Fair Value Measurement
The Company initially measures its financial and non-financial instruments at fair value. Fair values of financial instruments measured at amortized cost are disclosed in Note 4.

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

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

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

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.

If an asset or a liability measured at fair value has a bid price and an ask price (e.g. an input from a dealer market), the price between the bid-ask price spread that is most representative of fair value in the circumstances shall be used to measure fair value, regardless of where the input is categorized within the fair value hierarchy.

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 Company 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 in Note 4.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at every reporting date.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

The Company recognizes a financial asset or financial liability on the statement of financial position when it 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

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

The Company does not have any financial instruments at FVPL and HTM investments as at December 31, 2015 and 2014.

Day 1' difference

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

Cash

Cash includes cash on hand and in banks. Cash in banks represent demand, savings and time deposits that earn interest at the respective bank deposit rates and are subject to insignificant risk of changes in value.

Receivables

Receivables include trade receivables and accruals. They are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale.

Trade receivables, which are based on normal credit terms and do not bear interest, are initially recognized at the transaction price and subsequently measured at amortized cost using the effective interest method.

AFS investments

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

Dividends earned on holding AFS investments are recognized in the statement of income as 'Dividend income' when the right of payment has been established. The losses arising from impairment of such investments are recognized in statement of income.

The AFS investments of the Company include investments in nonmarketable equity investments that do not have a quoted market price in an active market, and whose fair market value cannot be reliably measured. These investments are carried at cost less impairment.

Financial liabilities at amortized cost
Financial liabilities at amortized cost include accounts payable and accrued expenses. Liabilities for trade creditors such as accounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for goods or services received, whether or not billed to the Company.

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

If there is objective evidence that an impairment loss on 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 expected credit losses that have not been incurred) discounted at the financial asset's effective interest rate (EIR) (i.e., the EIR computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognized in the statement of income.

If subsequently, 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, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in the statement of income.

In relation to receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the counterparty) that the Company will not be able to collect all of the amounts due. The receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery.

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged, or cancelled or has expired. When 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. The difference in the respective carrying amounts is recognized in the statement of income.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value.

The initial cost of property and equipment consists of their purchase price and any directly attributable costs of bringing the property and equipment to their working condition and location for their intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged against operations in the period in which the costs are incurred. In situations when 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 their originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

When property and equipment are retired or otherwise disposed of, the costs and related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Depreciation is computed using the straight-line method over the estimated useful lives (EUL) of the property and equipment. The following are the EUL of the items of property and equipment:

Information technology equipment	1 to 5 years
Furniture, fixtures and equipment	1 to 3 years
Transportation equipment	3 years
Leasehold improvements	3 years or the lease term, whichever is shorter

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

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the period the asset is derecognized.

Software Cost
Software costs are capitalized on the basis of the cost incurred to acquire and bring to use the specific software. Internally generated software costs, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. These costs are amortized over a period of three (3) years to five (5) years on a straight-line basis. Costs associated with maintaining the computer software programs are recognized as expense when incurred. Software costs are carried at cost less accumulated amortization.

Impairment of Property and Equipment and Software Cost
At each reporting date, the Company assesses whether there is any indication that its property and equipment and software assets may be impaired.

When an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is charged against current operations in the period in which it arises.

A previously recognized impairment loss is reversed by a credit to current operations to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined (net of any accumulated depreciation and amortization) had no impairment loss been recognized for the asset in prior periods.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the income can be reliably measured. The Company has assessed that it is acting as a principal in all of its revenue transactions. The following specific recognition criteria must also be met before income is recognized:

Service income
Service income is recognized when services are rendered.

Interest income
Interest income on deposits in banks is recognized as interest accrues, taking into account the effective yield of the asset.

Dividend income
Dividend income is recognized when the right to receive payment is established.

Miscellaneous income
Miscellaneous income is recognized when it is probable that the economic benefit will flow to the Company and amount can be measured reliably.

Cost and Expense Recognition
Costs and expenses are recognized in the statement of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Costs and expenses are recognized in the statement of income:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of financial position as an asset.

Retirement Benefits
The Company operates a defined benefit retirement plan, which requires contributions to be made to a separately administered fund.

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

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

Retirement costs comprise the following:

- service cost;
- net interest on the net defined benefit liability or asset, and
- remeasurements of net defined benefit liability or asset.

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

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

Remeasurements comprising of 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 the statement of income 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 Company, nor can they be paid directly to the Company. 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.

Termination benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

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

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

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

Company as lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Any rental payments are accounted for on a straight-line basis over the lease term and included in 'Rent expense' in the statement of income.

Income Taxes

Current tax

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

Deferred tax

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

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

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

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

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

Value-Added Tax (VAT)

Revenue, expenses and assets are recognized net of the amount of VAT except:

- Where the VAT incurred on the purchase of an asset or service is not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from the tax authority is included as part of ‘Other current assets’ in the statement of financial position.

Equity

Subscribed capital stock is the portion of the authorized capital stock that has been subscribed but not yet fully paid and therefore still unissued. The subscribed capital stock is reported in equity less the related subscription receivable not collectible currently. Issued capital stock is measured at par value for all shares issued and outstanding. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to ‘Additional paid-in capital’.

Retained earnings represents all accumulated profits or losses of the Company and dividend distributions to stockholders and other capital adjustments.

Cash dividends are recognized as liability and deducted from the equity when approved by the Board of Directors (BOD) while stock dividends are deducted from equity when approved by BOD and stockholders. Stock issuance costs are accounted for as deduction from equity. Dividends for the year that are approved after the reporting date are dealt with as subsequent events.

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

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

Events After the Reporting Date
Post year-end events up to the date of approval of the BOD of the financial statements that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed in the notes when material to the financial statements.

Standards Issued but not yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt these standards when they become effective. Adoption of these standards and interpretations are not expected to have any significant impact on the financial statements of the Company.

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

- Philippine Interpretation on IFRC 15, *Agreements for the Construction of Real Estate.*

Effective January 1, 2016
- PFRS 10, *Consolidated Financial Statements*, and PAS 28*, Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception* (Amendments)
- PAS 27, *Separate Financial Statements* - *Equity Method in Separate Financial Statements (Amendments)*
- PAS 1, *Presentation of Financial Statements - Disclosure Initiative* (Amendments)
- PFRS 11, *Joint Arrangements* - *Accounting for Acquisitions of Interests* (Amendments)
- PFRS 14, *Regulatory Deferral Accounts*
- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture – Bearer Plants*
- Annual Improvements to PFRSs (2012-2014 Cycle)

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
- PAS 19, *Employee Benefits - regional market issue regarding discount rate*
- PAS 34, *Interim Financial Reporting - disclosures of information 'elsewhere in the interim financial report'*

Effective January 1, 2018

PFRS 9, *Financial Instruments*

In July 2014, the International Accounting Standards Board (IASB) issued the final version of PFRS 9, *Financial Instruments*. The new standard (renamed as PFRS 9) reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

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

The following new standards issued by the IASB has not yet been locally adopted by the FRSC, Board of Accountancy and Professional Regulation Commission.

International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*

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

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

Effective January 1, 2019

IFRS 16, *Leases*

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

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

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

The new standard is effective for annual period beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted, IFRS 15, *Revenue from Contracts with Customers*. When adopting IFRS 16, an entity is permitted to use whether a full retrospective of a modified retrospective approach, with options to use certain transition reliefs. The Company is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

3. Significant Accounting Judgments and Estimates

The preparation of financial statements in accordance with PFRS requires the Company to make judgments and estimates that affect the reported amounts of assets, liabilities, income, and expenses, and disclosures relating to contingent assets and contingent liabilities. Future events may occur which may cause the assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on expectations of future events that are believed to be reasonable under the circumstances.

Judgments

a. *Classification of financial instruments*
The Company classifies financial instruments, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of the instruments. The substance of a financial instrument, rather than its legal form, governs its classification in the Company's statement of financial position. The Company determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

b. *Operating leases - Company as a lessee*
The Company has entered into a lease agreement on the premises it occupies. The Company has determined that the lessor retains all the significant risks and rewards of ownership of the premises it leases.

c. *Classification of quoted or unquoted financial assets*
The Company 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 not 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 transactions.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

a. *Impairment of accounts receivable*
The Company assesses its receivables for impairment at each reporting date. In determining whether a credit loss should be recorded in the statement of income, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from its receivable. This evidence may include observable data indicating that there has been an adverse change in the payment status of its debtors.

As at December 31, 2015 and 2014, the carrying amount of accounts receivable is disclosed in Note 7.

b. *Impairment of property and equipment and software cost*
The Company 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 Company 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 Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The 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. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit to which the asset belongs.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that can materially affect the financial statements. No impairment loss was recognized in 2015 and 2014. As at December 31, 2015 and 2014, the carrying values of property and equipment and software cost are disclosed in Notes 9 and 10, respectively.

c. *Estimated useful lives of property and equipment and software cost*
The Company determines the EUL of its property and equipment and software cost based on the period over which the assets are expected to be available for use. The Company reviews annually the EUL based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets. A reduction in the EUL of property and equipment and software cost would increase the recorded depreciation

and amortization and decrease the assets. The EUL of property and equipment and software cost are disclosed in Note 2.

d. *Recognition of deferred tax asset*
Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable income will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

The Company reviews the carrying amount of deferred tax asset at each reporting date and reduces this to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Recognized deferred tax asset is disclosed in Note 19.

e. *Present value of retirement obligation*
The cost of defined benefit retirement plan as well as the present value of the pension obligation, are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to the changes in these assumptions. All assumptions are reviewed at each reporting date.

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 the 2001 Commissioners Standard Ordinary table. Future salary increases are based on expected future inflation rates for the specific country.

The present value of the defined benefit pension liability is disclosed in Note 16.

4. Fair Value Measurement

The Company uses a hierarchy for determining and disclosing the fair value of its assets and liabilities as follow:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities in the absence of a principal market, in the most advantageous market for the asset or liability
- 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

As at December 31, 2015 and 2014, the Company has no financial instruments carried at fair value. The Company’s unquoted AFS investments are carried at cost. Fair value could not be reliably determined due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value. There is no active market for these investments and the Company does not intend to dispose these investments.

The Company assessed that the fair values of its financial assets and financial liabilities approximate their carrying amounts due to the short-term maturities of these instruments.

5. Financial Risk Management Objectives and Policies

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

- Credit risk
- Liquidity risk
- Market risk

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

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

<u>Credit Risk</u>
The Company manages its credit risk by constantly monitoring its credit exposure to counterparties.

Maximum exposure to credit risk
The maximum exposure of the Company's financial instruments is equivalent to the carrying values as reflected in the statements of financial position and related notes. The Company holds no collateral and other credit enhancements against its credit risk exposure as at December 31, 2015 and 2014.

The Company assessed that it has no credit risk exposures relating to off-balance sheet items.

The Company has no financial instruments with right to offset in accordance with PAS 32, *Financial Instruments: Presentation,* as at December 31, 2015 and 2014. There are also no financial instruments that are subject to an enforceable master netting arrangements of similar agreements which require disclosure in the financial statements in accordance with amendments of PFRS 7.

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

Credit quality per class of financial assets
The Company's financial instruments are with reputable financial institutions and related parties and are deemed to be standard grade. Standard grade is rated on entities that meet performance expectation, unlikely to be affected by external factors and have competent management that uses current business models.

As at December 31, 2015 and 2014, the Company has no past due and impaired receivables.

Liquidity Risk
Liquidity risk is the risk arising from potential inability to meet obligations when they become due at a reasonable cost and timely manner. The Company manages liquidity risk by assessing the gap for additional funding and determining the best source and cost of funds on a monthly basis. To ensure sufficient liquidity, the Company sets aside funds to pay currently maturing obligations. These funds are placed in credible banks. Monitoring of daily cash position is being done to guide the management in making sure that sufficient liquidity is maintained. The Treasury Committee of CARD MRI Group reviews monthly the liquidity position of the Company.

The tables below summarize the maturity profile of the financial instruments of the Company based on contractual undiscounted cash flow as at December 31:

	2015					
	On demand	**Due within 1 month**	**1 to 3 months**	**3 to 12 months**	**Beyond 1 year**	**Total**
Financial Assets						
Cash	**₱30,420,577**	**₱ 15,094,188**	**₱ 16,064,188**	**₱–**	**₱–**	**₱ 61,578,953**
Accounts receivable	**117,747**	**34,233**	–	**14,880**	–	**166,860**
Other current assets:						
Refundable deposits	–	–	–	–	**795,700**	**795,700**
Total financial assets	**30,538,324**	**15,128,421**	**16,064,188**	**14,880**	**795,700**	**62,541,513**
Financial Liabilities						
Trade and other payables	–	**5,612,998**	–	–	–	**5,612,998**
Net undiscounted cash flows	**₱30,538,324**	**₱9,515,423**	**₱16,064,188**	**₱14,880**	**₱795,700**	**₱56,928,515**

	2014					
	On demand	Due within 1 month	1 to 3 months	3 to 12 months	Beyond 1 year	Total
Financial Assets						
Cash	₱5,347,750	₱–	₱63,477,765	₱–	₱–	₱68,825,515
Accounts receivable	–	366,827	–	222,258	–	589,085
Other current assets:						
Refundable deposits	–	–	–	–	165,214	165,214
Total financial assets	5,347,750	366,827	63,477,765	222,258	165,214	69,579,814
Financial Liabilities						
Trade and other payables	–	4,320,449	–	–	–	4,320,449
Net undiscounted cash flows	₱5,347,750	(₱3,953,622)	₱63,477,765	₱222,258	₱165,214	₱65,259,365

Market Risk
Market risk is the risk of loss of future earnings, of fair value or future cash flows of a financial instrument. The Company focuses on the following market risk areas such as interest rate risk and foreign currency risk.

Interest rate risk
The Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. There are no floating rate financial assets and liabilities. Cash in banks earn interest at prevailing market rates.
The Company's exposure to interest rate risk is minimal.

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

The Company's principal transactions are carried out in Philippine peso and its exposure to foreign currency risk arises primarily with respect to the Company's cash in bank amounting to ₱1.21 million (US$25.72 thousand) and ₱0.17 million (US$3.79 thousand) as at December 31, 2015 and December 31, 2014, respectively. In translating the foreign currency into Philippine peso amount, the exchange rates used was ₱47.06 and ₱44.72 to US$1.00 as at December 31, 2015 and 2014, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Company's income before income tax as at December 31, 2015 and 2014.

Year	US$ appreciates (depreciates) by	Effect on income before income tax
2015	**+5%**	**(₱60,507)**
	-5%	**60,507**
2014	+5%	(₱8,500)
	-5%	8,500

There is no other impact on the Company's equity other than those already affecting the statement of income.

6. Cash

This account consists of:

	2015	2014
Cash in banks - peso (Note 20)	**₱60,248,017**	₱68,090,179
Cash in banks - dollar (Note 20)	**1,210,131**	169,723
Cash on hand	**15,000**	15,000
	₱61,473,148	₱68,274,902

Cash in banks consist of demand deposits, time deposits and a dollar account. The Company's demand deposits are used in its day-to-day operations. Time deposits with affiliate banks earn interest rates ranging from 2.00% to 4.00% and from 2.50% to 4.25% in 2015 and 2014, respectively. The Company's dollar account earns interest of 0.25% in 2015 and 2014.

Interest income earned from cash in banks amounted to ₱2.30 million and ₱1.89 million in 2015 and 2014, respectively (Note 20).

7. Accounts Receivable

This account includes maintenance fees, outsourcing fees, set-up fees, project management and development fees and other service income earned by the Company from related parties.

Outstanding accounts receivable amounted to ₱0.17 million and ₱0.59 million as at December 31, 2015 and 2014, respectively.

8. Other Current Assets

This account consists of:

	2015	2014
Financial asset		
Refundable deposits (Note 17)	**₱795,700**	₱165,214
Nonfinancial assets		
Prepaid expenses	**1,964,939**	1,110,268
Input tax	**848,707**	–
Stationery and supplies	**62,936**	37,121
Interest receivables	**49,099**	–
Creditable withholding taxes	**–**	31,985
	2,925,681	1,179,374
	₱3,721,381	₱1,344,588

Prepaid expenses pertain to unexpired software licenses and servers' cost that are usable for one year.

9. Property and Equipment

This account consists of:

2015	**Information Technology Equipment**	**Furniture, Fixtures and Equipment**	**Transportation Equipment**	**Leasehold Improvements**	**Total**
Cost					
Balance at beginning of year	**₱27,280,294**	**₱2,376,782**	**₱1,728,034**	**₱392,956**	**₱31,778,066**
Additions	**9,268,463**	**2,591,497**	**–**	**788,470**	**12,648,430**
Balances at end of year	**36,548,757**	**4,968,279**	**1,728,034**	**1,181,426**	**44,426,496**
Accumulated Depreciation					
Balance at beginning of year	**25,171,189**	**1,746,750**	**1,591,485**	**264,709**	**28,774,133**
Depreciation	**2,595,537**	**1,075,774**	**136,548**	**244,822**	**4,052,681**
Balance at end of year	**27,766,726**	**2,822,524**	**1,728,033**	**509,531**	**32,826,814**
Net book value at end of year	**₱8,782,031**	**₱2,145,755**	**₱1**	**₱671,895**	**₱11,599,682**

2014	Information Technology Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Total
Cost					
Balance at beginning of year	₱26,214,707	₱2,320,708	₱1,728,034	₱293,720	₱30,557,169
Additions	1,065,587	56,074	–	99,236	1,220,897
Balance at end of year	27,280,294	2,376,782	1,728,034	392,956	31,778,066
Accumulated Depreciation					
Balance at beginning of year	21,109,995	1,061,500	1,263,767	179,512	23,614,774
Depreciation	4,061,194	685,250	327,718	85,197	5,159,359
Balance at end of year	25,171,189	1,746,750	1,591,485	264,709	28,774,133
Net book value at end of year	₱2,109,105	₱630,032	₱136,549	₱128,247	₱3,003,933

Depreciation charged to the statements of income is presented under:

	2015	2014
Cost of information technology services (Note 14)	**₱2,595,537**	₱4,061,194
General and administrative expenses	**1,457,144**	1,098,165
	₱4,052,681	₱5,159,359

Cost of fully depreciated assets still in use as at December 31, 2015 and 2014 amounted to ₱28.49 million and ₱24.71 million, respectively.

Additions in 2015 include network firewall, uninterruptible power supply, generator set, and supply and installation of fabric and modular partition on leased offices.

Additions in 2014 include network firewall, power module, air condition, and supply and installation of partition on leased offices.

10. Software Costs

This account consists of:

	2015	2014
Cost		
Balance at beginning of year	**₱20,520,809**	₱19,808,180
Additions	**33,613,915**	712,629
Balance at end of year	**54,134,724**	20,520,809
Accumulated amortization		
Balance at beginning of year	**17,430,006**	15,605,336
Amortization (Note 14)	**3,034,675**	1,824,670
Balance at end of year	**20,464,681**	17,430,006
Net book value at end of year	**₱33,670,043**	₱3,090,803

Additions in 2015 include set up fee and license fees for the Core Banking System project of the Company which will be for subsequent use by the bank entities of the CARD-MRI.

Additions in 2014 include incremental license fees, implementation and support services for the Automated Teller Machine of CARD Bank, Inc.

11. Trade and Other Payables

This account consists of:

	2015	2014
Financial liabilities		
Accounts payable (Note 20)	**₱2,836,602**	₱2,872,476
Accrued expenses	**2,776,396**	1,447,973
	5,612,998	4,320,449
Nonfinancial liabilities		
Withholding taxes payable	**359,554**	444,762
Value-added tax (VAT) payable	**–**	739,287
	359,554	1,184,049
	₱5,972,552	₱5,504,498

Accounts payable consists of dividends payable, billings received from CARD EMPC for contribution and loan payable and for payment of regulatory remittance (SSS, Philhealth and Pag-ibig).

Accrued expenses include unpaid operating expenses such as travelling expenses, management and professional fee, monetized vacation leave, 13th month pay and other benefits.

12. Equity

Capital Stock

As at December 31, 2015 and 2014, the Company's capital stock consists of:

	2015		2014	
	Shares	**Amount**	Shares	Amount
Common stock - ₱100 par value, 1,000,000 authorized shares				
Common stock at the beginning of the year	**537,632**	**₱53,763,158**	478,988	₱47,898,746
Issuance of shares of stocks from settlement of subscriptions receivable	**245,082**	**24,508,258**	58,644	5,864,412
Common stock at the end of the year	**782,714**	**78,271,416**	537,632	53,763,158
Subscribed	**217,286**	**21,728,584**	462,368	46,236,842
Subscription receivable	**–**	**(21,728,584)**	–	(46,236,842)
	1,000,000	**₱78,271,416**	1,000,000	₱53,763,158

Dividends

On May 8, 2015, the BOD declared cash dividends of P5.00 per share to common stockholders amounting to ₱3.23 million. On November 14, 2014, the BOD declared cash dividends of P18.00 per share to common stockholders amounting to ₱8.78 million. Cash dividends paid in 2015 and 2014 were ₱3.22 million and ₱8.77 million, respectively.

Capital Management

The Company's capital management aims to ensure that it maintains strong credit ratings and healthy capital ratios in order to support and sustain its business growth towards maximizing the shareholders' value.

The Company considers its equity as its capital and is not subject to any externally imposed regulatory capital requirements.

13. Miscellaneous Income

Miscellaneous income includes dividend income and unrealized foreign exchange gain.

14. Cost of Information Technology Services

This account consists of direct costs attributable to rendering Information Technology (IT) services as follow:

	2015	2014
Salaries, wages and other benefits (Notes 15 and 20)	**₱14,449,618**	₱12,940,784
Program monitoring and evaluation	**4,655,300**	1,715,552
Amortization of software cost (Note 10)	**3,034,675**	1,824,670
Depreciation of IT equipment (Note 9)	**2,595,537**	4,061,194
System maintenance - core banking system	–	1,034,817
Travelling expense	**2,294,837**	838,761
Others	**567,700**	359,163
	₱27,597,667	₱22,774,941

15. Salaries, Wages and Other Benefits

This account consists of:

	2015	2014
Salaries, wages and other benefits	**₱13,465,258**	₱9,940,399
Other short-term employee benefits	**9,644,823**	7,902,010
Retirement expense (Note 16)	**807,202**	2,308,825
	₱23,917,283	₱20,151,234

Salaries, wages and other benefits account is presented in the statements of income under the following:

	2015	2014
Cost of information technology services (Note 14)	**₱14,449,618**	₱12,940,784
General and administrative expense	**9,467,665**	7,210,450
	₱23,917,283	₱20,151,234

The Company uses specific identification to allocate salaries, wages and other benefits into 'Cost of information technology services' and 'General and administrative expenses'.

16. **Retirement Benefits**

The Company, CARD Bank, Inc., CARD MRI Development Institute, Inc. (CMDI), CARD MBA, Inc., CARD SME Bank, Inc., CARD MRI Insurance Agency (CAMIA), Inc., CARD Business Development Service Foundation (BDSF), Inc., BotiCARD, Inc., CARD Leasing and Finance Co. (CLFC), Responsible Investment for Solidarity and Empowerment, Inc. (RISE), Rizal Bank, Inc. (RBI), CARD EMPC, Mga Likha ni Inay and CARD, Inc. maintain a funded and formal noncontributory defined benefit retirement plan - the CARD MRI Multi-Employer Retirement Plan (the Plan) - covering all of their regular employees. The Plan has a projected unit cost format and is financed solely by the Company and its related parties. The Plan complies with the requirement of Republic Act No. 7641 (The Philippine Retirement Law). The Plan provides lump sum benefits equivalent to at least 120% of latest month salary for every year of service, a fraction of at least six (6) months being considered as one whole year upon retirement, death, total and permanent disability, involuntary separation (except cause) or voluntary separation after completion of at least one year of service with the participating companies.

Changes in the net defined benefit liability in 2015 and 2014 follow:

		Net benefit cost in statement of income*				Remeasurements in other comprehensive income						
	January 1, 2015	Current service cost	Net interest	Subtotal	Transfer from the Plan	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in the effect of asset ceiling	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contribution by employer	December 31, 2015
Present value of defined benefit obligation	**₱9,268,112**	**₱1,068,987**	**₱413,358**	**₱1,482,345**	**(₱904,864)**	**₱940,970**	**₱–**	**₱260,967**	**₱7,653,266**	**₱8,855,203**	**₱–**	**₱18,700,796**
Fair value of plan assets	**(13,475,941)**	**–**	**(693,647)**	**(693,647)**	**904,864**	**305,005**	**–**	**–**	**–**	**305,005**	**(5,058,239)**	**(18,017,958)**
Asset ceiling	**414,895**	**–**	**18,504**	**18,504**	**–**	**–**	**(433,399)**	**–**	**–**	**(433,399)**	**–**	**–**
Net defined benefit liability (asset)	**(₱3,792,934)**	**₱1,068,987**	**(₱261,785)**	**₱807,202**	**₱–**	**₱1,245,975**	**(₱433,399)**	**₱260,967**	**₱7,653,266**	**₱8,726,809**	**(₱5,058,239)**	**₱682,838**

** The net benefit cost is recorded under 'Salaries, wages and other benefits' in the statement of income.*

Changes in net defined benefit liability of funded funds in 2014 are as follow:

		Net benefit cost in statements of income*					Remeasurements in other comprehensive income						
	January 1, 2014	Current service cost	Net interest	Subtotal	Transfer to the Plan	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in the effect of asset ceiling	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contribution by employer	December 31, 2014
Present value of defined benefit obligation	₱15,070,515	₱2,137,318	₱961,499	₱3,098,817	₱97,645	(₱40,592)	₱913,452	₱–	(₱2,079,939)	(₱7,791,786)	(₱8,958,273)	₱–	₱9,268,112
Fair value of plan assets	(11,668,489)	–	(789,992)	(789,992)	(97,645)	40,592	410,191	–	–	–	410,191	(1,370,598)	(13,475,941)
Asset ceiling	–	–	–	–	–	–	–	414,895	–	–	414,895	–	414,895
Net defined benefit liability (asset)	₱3,402,026	₱2,137,318	₱171,507	₱2,308,825	₱–	₱–	₱1,323,643	₱414,895	(₱2,079,939)	(₱7,791,786)	(₱8,133,187)	(₱1,370,598)	(₱3,792,934)

** The net benefit cost is recorded under 'Salaries, wages and other benefits' in the statement of income.*

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

	2015		2014	
	Amount	**%**	Amount	%
Debt securities - government securities	**₱8,236,009**	**45.71%**	₱6,181,414	45.87%
Cash and cash equivalents	**7,335,111**	**40.71%**	5,298,740	39.32%
Loans	**1,902,696**	**10.56%**	1,493,134	11.08%
Mutual funds	**140,540**	**0.78%**	126,674	0.94%
Other assets	**403,602**	**2.24%**	375,979	2.79%
Fair value of plan assets	**₱18,017,958**	**100.00%**	₱13,475,941	100.00%

All plan assets do not have quoted prices in active market except government bonds. Cash and cash equivalents are placed with reputable financial institutions and related parties and are deemed to be standard grade. Mutual fund, loans and other assets are unrated.

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

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

The cost of defined retirement plan as well as the present value of the defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension for the defined benefit plans are shown below:

	2015	2014
Discount rates	**5.04%**	4.46%
Future salary increases	**10.00%**	7.00%

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

	2015		2014	
	Increase (decrease) in basis points	**Increase (decrease) in present value of obligation**	Increase (decrease) in basis points	Increase (decrease) in present value of obligation
Discount rates	**+1**	**(₱3,974,986)**	+1	(₱1,821,146)
	-1	**5,182,089**	-1	2,339,413
Future salary increases	**+1**	**4,665,405**	+1	2,152,137
	-1	**(3,719,355)**	-1	(1,731,629)

The Company plans to contribute ₱5.35 million to the Plan in 2016.

The average duration of the DBO is 28.2 years and 26.6 years as at December 31, 2015 and 2014, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2015 and 2014:

	2015	2014
More than 1 year to 5 years	**₱878,460**	₱–
More than 15 years to 20 years	**14,817,821**	16,889,041
More than 20 years to 25 years	**61,426,631**	22,874,793
More than 25 years	**724,969,477**	236,049,233

17. **Leases**

The Company leases its office premises for a period of one year to five years renewable upon mutual agreement between the Company and lessors. Rental expense in 2015 and 2014 amounting to ₱1.68 million and ₱0.81 million, respectively, are included under ‘General and administrative expenses’ in the statements of income.

Security deposits required by the lease agreements amounting to ₱0.80 million and ₱0.17 million as at December 31, 2015 and 2014, respectively, are included in ‘Other current assets’ (Note 8).

Future minimum rental payments under operating leases follow:

	2015	2014
Within one year	**₱866,210**	₱703,279
After one year but not more than five years	**525,071**	972,000
	₱1,391,281	₱1,675,279

18. **Miscellaneous Expenses**

This account consists of:

	2015	2014
Penalties and other charges	**₱1,456,096**	₱7,696
Supervision and examination	**253,782**	65,754
Representation and entertainment (Note 19)	**93,443**	100,766
Provision for impairment losses	**31,966**	–
Advertising and publicity	**30,000**	88,800
Bank service charges	**13,204**	10,333
Membership fees and dues	**12,000**	17,184
Donations and charitable contributions	**11,500**	3,000
Others	**331,582**	177,312
	₱2,233,573	₱470,845

Others include reimbursements for medical expenses of employees and petty cash expenses.

19. **Income Taxes**

Under Philippine tax laws, the Company is subject to income taxes and other taxes (presented under 'Taxes and licenses' in the statements of income).

The provision for income tax consists of:

	2015	2014
Current:		
Regular	**₱5,952,779**	₱5,024,663
Final	**458,763**	377,760
	6,411,542	5,402,423
Deferred	**180,798**	(215,950)
	₱6,592,340	₱5,186,473

Republic Act 9337, *An Act Amending National Internal Revenue Code*, provides that RCIT rate shall be 30.00%. Interest expense allowed as a deductible expense is reduced by 33.00% of interest income subjected to final tax.

In addition, effective September 1, 2002, Revenue Regulation No. 10-2002 provides for the ceiling on the amount of entertainment, amusement and recreation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulation, EAR allowed as a deductible expense is limited to the actual EAR paid or incurred (booked under 'Miscellaneous' in the statements of income) but not to exceed 1.00% of net revenue for companies engaged in the sale of services.

An MCIT of 2.00% on modified gross income is computed and compared with RCIT. Any excess of MCIT over RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. Imposition of MCIT will commence on the Company's fourth taxable year immediately following the year in which the Company commenced its business operations.

In addition, NOLCO is allowed as a deduction from taxable income in the next three years from the period of incurrence.

Components of the net deferred tax assets (liabilities) shown in the statements of financial position follow:

	2015	2014
Deferred tax assets on:		
Unamortized past service cost	**₱1,609,307**	₱608,092
Retirement liability	**204,851**	–
Accrued other expenses	**105,793**	–
	1,919,951	608,092
Less deferred tax liabilities on:		
Unrealized foreign exchange gains	**12,494**	–
Retirement asset	–	1,137,880
	12,494	1,137,880
	₱1,907,457	(₱529,788)

Deferred income tax on remeasurements on retirement plan that was charged directly to OCI in 2015 and 2014 amounted to a benefit of ₱2.62 million and provision of ₱2.44 million, respectively.

Reconciliation between the statutory income tax rate and the effective income tax rate follows:

	2015	2014
Statutory income tax rate	**30.00%**	30.00%
Tax effects of:		
Interest income subject to final tax	**(1.03%)**	(1.05%)
Nondeductible expense	**0.46%**	–
Non-taxable income	**(0.20%)**	(0.14%)
Effective income tax rate	**29.23%**	28.81%

20. Related Party Transactions

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

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

The Company has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and did not involve more than the normal risk of collectability or present other unfavorable conditions.

<u>Transactions with retirement plans</u>
Under PFRS, certain post-employment benefit plans are considered as related parties. CARD MRI's Multi-Employer Retirement Plan (MERP) is managed by the CARD Employee Multipurpose Cooperative (EMPC). Part of the plan assets are invested in time deposits and special savings accounts with the affiliated banks (Note 16).

<u>Remunerations of Trustees and other Key Management Personnel</u>
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Company considers the members of the board of trustees and senior management to constitute key management personnel for purposes of PAS 24.

The compensation of key management personnel included under 'Cost of Information Technology Services' and 'General and Administrative Expenses' in the statements of income are as follows:

	2015	2014
Short-term employee benefits	**₱2,450,463**	₱2,180,717
Post-employment benefits	**2,350,482**	1,739,500
	₱4,800,945	₱3,920,217

Other related party transactions

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

Cash and cash equivalents, accounts payable and accounts receivable

Cash and cash equivalents, accounts payable and accounts receivable held by the Company for key management personnel and affiliates as at December 31, 2015 and 2014 follow:

Category	2015 Amount/ Volume	2015 Outstanding Balance	Nature, Terms and Conditions
Key Management Personnel			
Accounts receivables		**₱–**	The amount represents receivable from officers payable to the Company which will be paid 2016.
Charges to key management personnel	**₱1,771,178**		
Collections	**1,863,326**		
Shareholder			
Accounts receivables		**–**	Billings of service fee and other charges by the Company to other CARD MRI entities
Charges to shareholders	**37,327,661**		
Collections	**(37,371,409)**		
Accounts payable		**–**	Rentals for lease of office premises, seminar and training fees and share of various expenses
Charges from shareholders	**1,861,516**		
Payments	**(1,863,326)**		
Service income	**32,692,592**		Income earned from IT services provided by the Company to other CARD MRI entities
Staff training and development	**50,040**		Expenses incurred for staff development programs
Rent expense	**516,163**		Rentals for lease of office premises
Other related party			
Cash in bank		**31,052,572**	These are time deposit accounts with annual interest rate ranging from 2.00% to 4.00%
Deposits	**10,769,010**		
Withdrawals	**(42,643,591)**		
Accounts receivables		**2,267**	Billings of service fee and other charges by the Company to other CARD MRI entities
Charges to affiliates	**47,632,615**		
Collections	**(47,639,921)**		
Accounts payable		**–**	Rentals for lease of office premises, seminar and training fees and share of various expenses
Charges from affiliates	**22,749**		
Payments	**(22,749)**		
Service income	**58,093,112**		Income earned from IT services provided by the company to other CARD MRI entities
Interest income	**2,270,573**		Income earned from time deposits to CARD MRI entities
Dividend income	**153,968**		Dividends received from equity investments held at cost

Category	2014 Amount/Volume	2014 Outstanding Balance	Nature, Terms and Conditions
Key Management Personnel			
Accounts receivables		₱92,148	The amount represents receivable from officers payable to the Company which will be paid 2015.
Shareholder			
Accounts receivables		43,748	Billings of service fee and other charges by the Company to other CARD MRI entities
Charges to shareholders	₱35,615,763		
Collections	(35,572,015)		
Accounts payable		1,810	Rentals for lease of office premises, seminar and training fees and share of various expenses
Charges from shareholders	2,187,590		
Payments	(2,238,324)		
Service income	31,284,093		Income earned from IT services provided by the Company to other CARD MRI entities
Staff training and development	598,424		Expenses incurred for staff development programs
Rent expense	454,800		Rentals for lease of office premises
Other related party			
Cash in bank		62,927,153	These are time deposit accounts with annual interest rate ranging from 2.5% to 4.25%
Deposits	15,694,097		
Withdrawals	(2,198,600)		
Accounts receivables		9,573	Billings of service fee and other charges by the Company to other CARD MRI entities
Charges to affiliates	35,532,169		
Collections	(35,539,882)		
Accounts payable		–	Rentals for lease of office premises, seminar and training fees and share of various expenses
Charges from affiliates	44,145		
Payments	(215,483)		
Service income	38,238,595		Income earned from IT services provided by the company to other CARD MRI entities
Interest income	1,869,372		Income earned from time deposits to CARD MRI entities
Dividend income	84,510		Dividends received from equity investments held at cost

21. Supplemental Disclosure of Non-cash Activities

The following are the activities of the Company that affect recognized assets and liabilities but do not result in cash payments during the year 2015 and 2014.

	2015	2014
Operating activities		
Income taxes paid through creditable withholding taxes	**₱2,198,403**	₱1,370,074

22. Approval of the Release of the Financial Statements

The accompanying comparative financial statements of the Company were reviewed and approved for release by the Company's BOD on March 11, 2016.

23. Supplementary Information under Revenue Regulations (RR) No. 15-2010

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

The components of 'Taxes and licenses' recognized in 2015 statement of income follow:

Business permits and licenses	₱55,069
Community tax certificate	3,200
Annual registration	9,359
Documentary stamp tax	50,023
Other taxes	385,366
	₱503,017

The following withholding taxes remitted in 2015 or outstanding as of December 31, 2015:

	Total Remittances	Balance as at December 31, 2015
Expanded withholding taxes	₱1,239,906	₱128,270
Withholding tax on compensation and benefits	1,494,401	231,284
Final withholding taxes	158,216	–
	₱2,892,523	₱359,554

Value-added tax (VAT)

The NIRC of 1997 also provides for the imposition of VAT on sales of goods and services. Accordingly, the Company's sales are subject to output VAT while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT. VAT rate is 12.00% effective February 1, 2006.

Details of the Company's net sales/receipts output VAT and input VAT accounts in 2015 are as follow:

a. Net sales/receipts and output VAT declared in the Company's VAT returns filed in 2015:

	Net Sales/Receipts	Output VAT
Taxable Sales:		
Service income	₱90,785,704	₱10,894,284

b. Input VAT

Balance at beginning of period	₱424,488
Current year's domestic purchases/payments	4,364,991
Input tax used	(3,940,772)
Balance at end of period	₱848,707

Tax Assessment

In 2015, the Company paid deficiency tax assessment for the 2014 taxable year amounting to ₱0.38 million.

As at December 31, 2015, there are no outstanding tax assessments and tax cases under investigations, litigations nor persecution in courts or bodies outside the BIR.