



**ARDCI MICROFINANCE, INCORPORATED**  
*(formerly ARDCI NGO Group, Inc.)*  
*(A Non-stock, Non-profit Organization)*

**INDEX TO THE SEPARATE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**  
**Audited Financial Statements (AFS)**  
**DECEMBER 31, 2017**

---

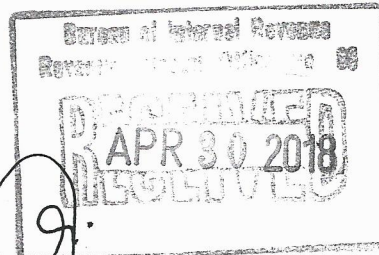
**Financial Statements**

Statement of Management's Responsibility for Separate Financial Statements for the years ended December 31, 2017 and 2016  
Independent Auditors' Report dated April 13, 2018  
Separate Statements of Financial Position as at December 31, 2017 and 2016  
Separate Statements of Comprehensive Income for the years ended December 31, 2017 and 2016  
Separate Statements of Changes in Fund Balance for the years ended December 31, 2017 and 2016  
Separate Statements of Cash Flows for the years ended December 31, 2017 and 2016  
Notes to the Separate Financial Statements for the years ended December 31, 2017 and 2016

**Supplementary Schedules**

Independent Auditors' Report on Supplementary Schedules dated April 13, 2018

- |                                                                          |            |
|--------------------------------------------------------------------------|------------|
| A. Schedule of Receipts or Income Other Than Contributions and Donations | Applicable |
| B. Schedule of Contributions and Donations                               | Applicable |
| C. Schedule of Disbursements according to sources and activities         | Applicable |
| D. Effective standards and interpretations under PFRSs as at year-end    | Applicable |



**CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE  
FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS**

I hereby certify that I am the Certified Public Accountant (CPA) who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework and reports as required by the accounting and auditing standards for ARDCI MICROFINANCE, INCORPORATED (formerly ARDCI NGO Group, Incorporated) for the period ending December 31, 2017.

In discharging this responsibility, I hereby declare that I am the Senior Accountant II of ARDCI Microfinance, Incorporated, its subsidiaries and affiliated companies.

Furthermore, in my compilation services for the preparation of the Financial Statements, I was not assisted by or did not avail the services of Roxas Cruz Tagle and Co. (formerly Alba Romeo & Co.), which is the external auditor who rendered the audit opinion for the said Financial Statements and Notes to the Financial Statements.

I hereby declare, under penalties of perjury and violation of Republic Act No. 9298, that my statements are true and correct.

  
PAUL M. TAJAN

Professional Identification Card No. 0130006

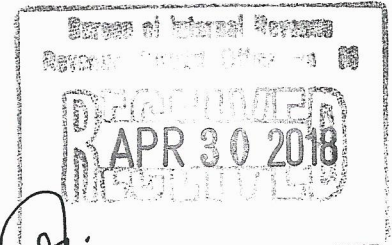
Valid until January 14, 2021

Accreditation No. 0304

Valid until January 14, 2019

PTR No. 6809996, issued on January 18, 2018, Virac, Catanduanes

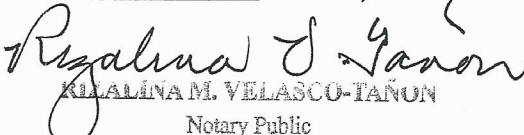
April 13, 2018  
Virac, Catanduanes



REPUBLIC OF THE PHILIPPINES )  
PROVINCE OF CATANDUANES )  
MUNICIPALITY OF VIRAC ) s.s.

SUBSCRIBED AND SWORN to before me by PAUL M. TAJAN, with Professional Identification Card No. 0130006, issued on November 9, 2009, this \_\_\_\_\_ in Virac, Catanduanes.

Doc. No. 560  
Page No. 112  
Book No. II  
Series of 2018.

  
RIZALINA M. VELASCO-TANON  
Notary Public

Commission Expires on Dec. 31, 2018

210 Gogon Tiad, Virac Catanduanes

PTR No. 9523543/ Jan. 18, 2017 Virac, Catanduanes

IBP Lifetime No. 016324

MCLE Compliance No. V-0007571 May 15, 2015

Roll No. 36845

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

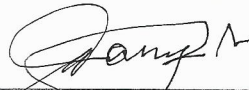
The management of ARDCI MICROFINANCE, INCORPORATED (formerly ARDCI NGO Group, Incorporated) (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, 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.

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

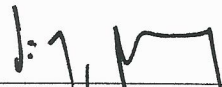
The Board of Trustees is responsible for overseeing the Company's financial reporting process.

The Board of Trustees reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

Roxas Cruz Tagle and Co. (formerly Alba Romeo & Co.), the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



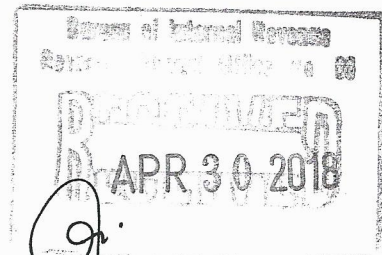
BENJAMIN B. COMPLETEO  
President, Board of Trustees



VICTOR T. BERNAL  
Executive Director



EVELYN T. TEVES  
Treasurer



Signed this 13 day of April, 2018

## INDEPENDENT AUDITORS' REPORT

The Members and the Board of Trustees  
ARDCI Microfinance, Incorporated  
(formerly ARDCI NGO Group, Inc.)  
(A Non-stock, Non-profit Organization)  
3rd Floor, ARDCI Corporate Building  
San Roque, Virac, Catanduanes

### Report on the Audit of the Separate Financial Statements

#### Opinion

We have audited the separate financial statements of ARDCI Microfinance, Incorporated (formerly ARDCI NGO Group, Inc.) (A Non-stock, Non-profit Organization) (the "Organization"), which comprise the separate statements of financial position as at December 31, 2017 and 2016, and the separate statements of comprehensive income, separate statements of changes in fund balance and separate statements of cash flows for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

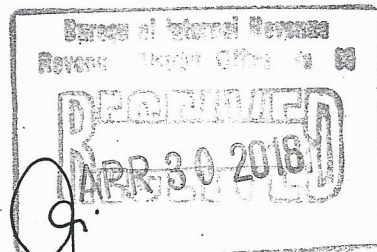
In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

#### Basis for Opinion

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

#### Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

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



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

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

#### *Auditors' Responsibilities for the Audit of the Separate Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**Report on the Supplementary Information Required by the Bureau of Internal Revenue**

Our audit was conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information in Note 26 to the separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic separate financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic separate financial statements taken as a whole.

**ROXAS CRUZ TAGLE AND CO.**  
*(formerly Alba Romeo & Co.)*



Leticia C. Tagle

Partner

CPA Certificate No. 0017358

Tax Identification No. 123-048-280

PTR No. 6643556, issued on January 17, 2018, Makati City

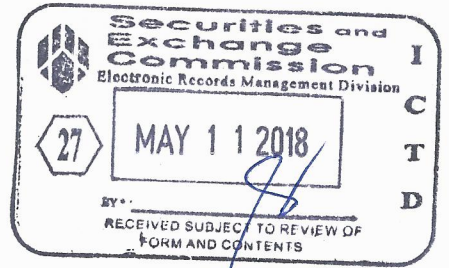
BOA/PRC Registration No. 0005, issued on December 1, 2015,  
effective until December 31, 2018

SEC Accreditation No. 1583-A (Individual), Group A, issued on September 6, 2016,  
effective until September 6, 2019

SEC Accreditation No. 0007-FR-4 (Firm), Group A, issued on July 16, 2015,  
effective until July 15, 2018

BIR Accreditation No. 08-001682-6-2018, issued on January 26, 2018,  
effective until January 25, 2021

Makati City  
April 13, 2018

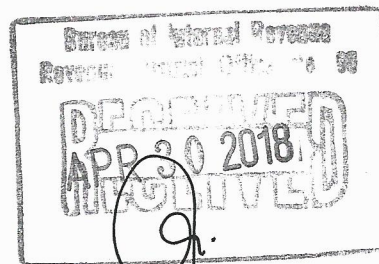


ARDCI Microfinance, Incorporated  
 (formerly ARDCI NGO Group, Inc.)  
 (A Non-stock, Non-profit Organization)

SEPARATE STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31, 2017 AND 2016

	Note	2017	2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash on hand and in banks	7	P351,376,985	P168,234,254
Loans and other receivables, net	8	1,327,517,424	1,440,826,612
Prepayments and other current assets	9	27,804,466	18,121,368
<b>Total current assets</b>		<u>1,706,698,875</u>	<u>1,627,182,234</u>
<b>Noncurrent assets</b>			
Investment in subsidiaries	10	34,150,000	27,150,000
Property and equipment, net	11	104,347,208	80,941,686
Investment property, net	12	76,306,005	74,625,970
Intangible assets	13	2,544,605	2,908,120
Retirement benefit asset, net	19	30,173,417	19,590,659
Refundable deposits	14	725,350	874,975
<b>Total noncurrent assets</b>		<u>248,246,585</u>	<u>206,091,410</u>
<b>TOTAL ASSETS</b>		<u>P1,954,945,460</u>	<u>P1,833,273,644</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Members' deposits	15	P566,027,287	P482,561,670
Accounts and other payables	16	72,774,867	62,009,842
Deferred income from government grants	17	388,908	387,064
Loans payable	18	180,234,821	294,529,633
Income tax payable	25	146,423	1,211,856
<b>Total current liabilities</b>		<u>819,572,306</u>	<u>840,700,065</u>
<b>Noncurrent liabilities</b>			
Deferred income from government grants, net of current portion	17	3,866,793	4,257,545
Loans payable, net of current portion	18	25,221,680	119,013,141
<b>Total noncurrent liabilities</b>		<u>29,088,473</u>	<u>123,270,686</u>
<b>Total liabilities</b>		<u>848,660,779</u>	<u>963,970,751</u>
<b>Fund balance</b>			
Actuarial loss on retirement liability	19	(21,914,415)	(17,939,324)
Accumulated income			
- Appropriated	5	40,000,000	40,000,000
- Unappropriated		1,088,199,096	847,242,217
<b>Total fund balance</b>		<u>1,106,284,681</u>	<u>869,302,893</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>		<u>P1,954,945,460</u>	<u>P1,833,273,644</u>

(The notes on pages 5 to 59 are an integral part of these financial statements.)

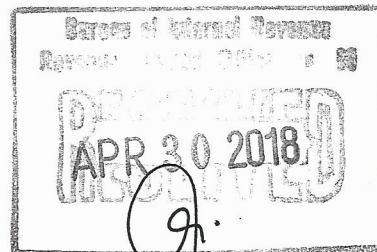


ARDCI Microfinance, Incorporated  
 (formerly ARDCI NGO Group, Inc.)  
 (A Non-stock, Non-profit Organization)

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME  
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Notes	2017	2016
Interest income	6,8	P708,775,620	P661,295,551
Interest expense	6,15,18	(40,788,585)	(50,582,589)
Net interest income		<u>667,987,035</u>	<u>610,712,962</u>
Other operating income	20	25,146,863	20,464,242
Operating expenses	21	(287,598,032)	(249,924,015)
		<u>405,535,866</u>	<u>381,253,189</u>
General and administrative expenses	22	(62,643,892)	(60,880,462)
Income from operations		<u>342,891,974</u>	<u>320,372,727</u>
Provision for impairment losses	8	(101,403,031)	(28,367,518)
Income before income tax		<u>241,488,943</u>	<u>292,005,209</u>
Provision for income tax	25		
Current		(759,034)	(4,838,250)
Deferred		-	-
		<u>(759,034)</u>	<u>(4,838,250)</u>
Net income for the year		<u>240,729,909</u>	<u>287,166,959</u>
Other comprehensive loss			
Item that will not be reclassified to profit or loss:			
Actuarial loss on retirement liability	19	(3,975,091)	-
NET COMPREHENSIVE INCOME		<u><u>P236,754,818</u></u>	<u><u>P287,166,959</u></u>

(The notes on pages 5 to 59 are an integral part of these financial statements.)

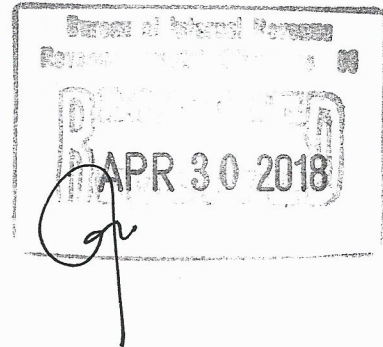


**ARDCI Microfinance, Incorporated**  
*(formerly ARDCI NGO Group, Inc.)*  
 (A Non-stock, Non-profit Organization)

**SEPARATE STATEMENTS OF CHANGES IN FUND BALANCE**  
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Accumulated income		Actuarial loss on retirement liability (Note 19)	Total
	Appropriated (Note 5)	Unappropriated (Note 5)		
Balance at January 1, 2016	P40,000,000	P559,694,088	(P17,939,324)	P581,754,764
Additional revolving fund	-	381,170	-	381,170
Net income for the year	-	287,166,959	-	287,166,959
Actuarial loss on retirement liability	-	-	-	-
Balance at December 31, 2016	40,000,000	847,242,217	(17,939,324)	869,302,893
Additional revolving fund	-	226,970	-	226,970
Net income for the year	-	240,729,909	-	240,729,909
Actuarial loss on retirement liability	-	-	(3,975,091)	(3,975,091)
Balance at December 31, 2017	P40,000,000	P1,088,199,096	(P21,914,415)	P1,106,284,681

(The notes on pages 5 to 59 are an integral part of these financial statements.)

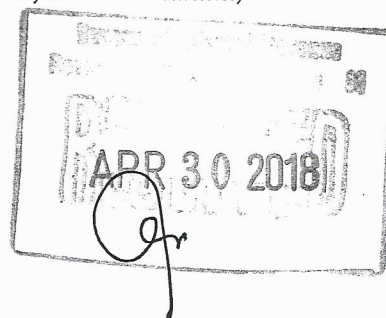


ARDCI Microfinance, Incorporated  
(formerly ARDCI NGO Group, Inc.)  
(A Non-stock, Non-profit Organization)

SEPARATE STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Notes	2017	2016
<b>Cash flows from operating activities</b>			
Income before income tax		P241,488,943	P292,005,209
Adjustments for:			
Amortization of refundable deposits		149,626	-
Amortization of deferred income from government grants	17, 20	(388,908)	(387,064)
Amortization of intangible asset	13, 21	363,515	363,515
Depreciation	11, 12, 21, 22	15,403,308	15,950,598
Provision for impairment losses	8	101,403,031	28,367,518
Retirement	19, 21, 22	2,128,998	2,515,015
Operating income before working capital changes		<u>360,548,513</u>	<u>338,814,791</u>
Changes in working capital:			
Decrease (increase) in:			
Loans and other receivables		10,039,218	(213,320,359)
Prepayments and other current assets		(9,754,598)	(1,994,593)
Increase in:			
Members' deposits		83,465,617	109,040,404
Accounts and other payables		10,765,025	16,697,518
Cash provided by operating activities		<u>455,063,775</u>	<u>249,237,761</u>
Income tax paid	25	(1,752,967)	(4,708,187)
Contributions to retirement fund	19	(14,819,909)	(13,403,277)
Net cash provided by operating activities		<u>438,490,899</u>	<u>231,126,297</u>
<b>Cash flows from investing activities</b>			
Investment in another company	10	(7,000,000)	(1,900,000)
Acquisition of fixed assets	11	(40,488,865)	(29,456,547)
Net cash used in investing activities		<u>(47,488,865)</u>	<u>(31,356,547)</u>
<b>Cash flows from financing activities</b>			
Proceeds from loan availments	18	136,443,360	437,607,241
Payment of loans	18	(344,529,633)	(594,032,488)
Additional revolving fund	5	226,970	381,170
Net cash used in financing activities		<u>(207,859,303)</u>	<u>(156,044,077)</u>
Net increase in cash on hand and in banks		183,142,731	43,725,673
Cash on hand and in banks	7		
January 1		168,234,254	124,508,581
December 31		<u>P351,376,985</u>	<u>P168,234,254</u>
<b>Information on significant non-cash transactions:</b>			
Appropriation of funds	5	P40,000,000	P40,000,000
Transfer of retirement liability to (from) a subsidiary	19, 23	(1,866,938)	311,942
Reclassification of property and equipment to investment property	11	5,213,747	19,599,909
<b>Operational cash flows from interest</b>			
Interest received		P692,083,385	P672,446,660
Interest paid		42,025,897	51,550,661

(The notes on pages 5 to 59 are an integral part of these financial statements.)



**ARDCI MICROFINANCE, INCORPORATED**  
*(formerly ARDCI NGO Group, Inc.)*  
*(A Non-stock, Non-profit Organization)*

**NOTES TO SEPARATE FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 1 - GENERAL INFORMATION**

**1.1 Organization's information**

ARDCI Microfinance, Incorporated (the "Organization" or "ARDCI"), formerly known as ARDCI NGO Group, Inc., is a non-stock, non-profit organization incorporated under the laws of the Republic of the Philippines. It was registered with the Securities and Exchange Commission (SEC) on September 11, 1998 per SEC Registration No. I1998-00277. It started its operations on January 1, 2000.

The Organization's registered address is located at Sta. Elena, Virac, Catanduanes. On October 8, 2013, the Organization transferred its office to the 3rd Floor of ARDCI Corporate Bldg. located at San Roque, Virac, Catanduanes. The amended Articles of Incorporation of the Organization for the change in address was approved by SEC on June 22, 2015.

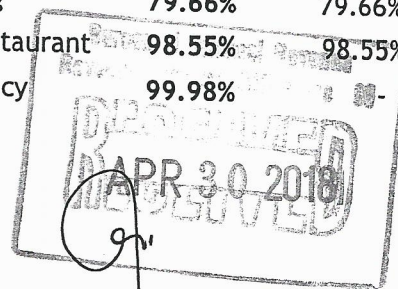
On April 18, 2017, upon majority vote of the Board of Trustees (BOT) and by the vote of more than two-thirds of the members of the Organization the motion to change the name of the Organization from ARDCI NGO Group, Inc. to ARDCI Microfinance, Incorporated was approved in compliance with the Republic Act (R.A.) 10693, otherwise known as Microfinance NGOs Act. Accordingly, the Articles of Incorporation and By-laws were amended and approved by SEC on August 23, 2017.

The Organization was created under the Catanduanes Agricultural Support Programme (CatAg) to implement the microfinance component of the Programme. CatAg terminated its operations in April 2003. The Organization's incorporators and members are farmers and fisherfolks who formed the Organization primarily to promote members/subsidiaries/affiliates' participation in socio-economic activities leading to their development and transformation into self-reliant and self-fulfilling communities through financial services, specifically, microfinance operations. The purpose of the Organization also includes the establishment, development and strengthening of the Savings and Loans System (SLS) at the barangay level, thus, encouraging members to develop the value of saving for their future providential and/or emergency needs.

The Organization has 68 and 59 branches as at December 31, 2017 and 2016, respectively, in Catanduanes and in the provinces of Albay, Sorsogon, Camarines Sur, Camarines Norte, Quezon, Laguna, Batangas, Mindoro, Marinduque, Bataan, Zambales, Pampanga, Pangasinan, Bulacan, Tarlac and Samar. The Organization has a membership of 132,236 and 120,242 in 2017 and 2016, respectively.

The Organization currently holds interest in three subsidiaries as follows:

Subsidiaries	Line of business	Effective percentage of controlling interest	
		2017	2016
ARDCIBank, Inc. - A Rural Bank (ABI)	Rural banking	79.66%	79.66%
ARDCI Corporate Inn, Inc. (ACI)	Hotel and restaurant	98.55%	98.55%
ARDCI Prime Security Services (APSS), Inc.	Security agency	99.98%	-



#### ARDCIBank, Inc. - A Rural Bank (ABI)

ABI, formerly known as VisionBank, Inc. - A Rural Bank (VBI), was incorporated in the Philippines per SEC Registration No. I2002-00136 pursuant to Republic Act (RA) No. 7353 and to Monetary Board Resolution No. 355 dated March 7, 2002. ABI was granted authority on October 3, 2002 to operate as a microfinance-oriented rural organization subject to the rules and regulations of the Bangko Sentral ng Pilipinas (BSP) and other applicable laws.

On April 24, 2015, by a majority vote of the Board of Directors (BOD) and by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock, the amendment of Article 1 of ABI's Articles of Incorporation was approved renaming VisionBank, Inc. - A Rural Bank to ARDCIBank, Inc. - A Rural Bank as ABI in order to identify it more with the Organization. The amended Articles of Incorporation was approved and issued by the SEC on February 4, 2016.

The principal office of ABI is at Ground Floor ARDCI Corporate Building, San Roque, Virac, Catanduanes.

#### ARDCI Corporate Inn, Inc. (ACI)

ACI was registered with the SEC on July 26, 2013 per SEC Registration No. CS201330868 with the primary purpose of providing travelers to Virac, Catanduanes with affordable lodging or shelter, food and refreshment, entertainment, fitness and recreation, and amenities that are customarily furnished within households but unavailable to travelers. It started its operations in October 2013.

The principal office of ACI is at ARDCI Corporate Building, San Roque, Virac, Catanduanes.

#### ARDCI Prime Security Services (APSS), Inc.

APSS is a stock corporation under the laws of the Republic of the Philippines. It was registered with the SEC with Registration No. CS201705287 on February 15, 2017. APSS' principal activity is to engage in the provision of private security services to any entity: commercial, industrial, or otherwise and offer its services to the public, including government entities and private institutions alike. It shall also include the act of contracting, recruiting and training security guards to secure its clients' premises. It started its operations on August 2017.

The principal office of APSS is at 2<sup>nd</sup> Floor, ARDCI Corporate Building, San Roque, Virac, Catanduanes.

### **1.2 Approval of financial statements**

The financial statements were approved and authorized for issue by the Board of Trustees (BOT) on April 13, 2018. The Organization's Executive Director, Mr. Victor T. Bernal, and Finance and Administrative Services Unit Director, Ms. Evelyn T. Teves, were authorized by the BOT to sign and cause the issuance of the audited financial statements on its behalf.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The principal accounting policies adopted in the preparation of these separate financial statements are set out below. The policies have been consistently applied to the years presented, unless otherwise stated.

#### *Statement of compliance*

The separate financial statements of the Organization have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards (PAS) and interpretations of Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Philippine Financial Reporting Standards Council (PFRSC) and adopted by the SEC.

#### *Presentation of financial statements*

The separate financial statements are presented in accordance with PAS 1, *Presentation of Financial Statements*. The Organization presents all items of income and expenses in a single statement of comprehensive income, with profit or loss and other comprehensive income (OCI) presented in two sections.

These separate financial statements are presented in Philippine Peso (P), which is also the Organization's functional currency and all values are rounded to the nearest peso.

#### *Basis of measurement*

The Organization's separate financial statements have been prepared on historical cost basis, except as disclosed in the accounting policies.

#### *Use of judgments and estimates*

The preparation of separate financial statements in compliance with PFRSs requires the use of certain critical accounting estimates. It also requires the Organization's management to exercise its judgment in applying the Organization's accounting policies. The areas where significant judgments and estimates have been made in preparing the separate financial statements and their effects are disclosed in Note 3 to the separate financial statements.

### 2.2 Changes in accounting policies and disclosures

#### a. New amendments issued and effective from January 1, 2017

The accounting policies applied are consistent with those of the previous year, except for the following amendments which were adopted as of January 1, 2017. Except as otherwise indicated, the adoption of these amendments did not have significant impact on the Organization's separate financial statements.

- **Amendments to PAS 7, *Disclosure Initiatives*:** The amendments require an entity to provide disclosures that enable users of separate financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The Organization applied these amendments for the first time in the current year. The Organization has provided the information for both the current and the comparative period in Note 18.

- **Amendments to PAS 12, *Recognition of Deferred Tax Assets for Unrealized Losses*:** The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.
  - **Amendments to PFRS 12, *Disclosure of Interests in Other Entities: Clarification of the scope of disclosure*.** The amendments clarify that the disclosure requirements in PFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.
- b. New standards, amendments and interpretation to existing standards but not yet effective and with mandatory adoption on or after January 1, 2017

Standards and amendments to existing standards issued but not yet effective up to the date of issuance of the separate financial statements are listed below. This listing is of standards and amendments issued, which the Organization reasonably expects to be applicable at a future date. The Organization intends to adopt those standards when they become effective. Except when specified, these new standards, amendments and interpretations do not have significant impact in the Organization's separate financial statements.

- **PFRS 9, *Financial Instruments*:** In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. The final version 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.

The adoption of PFRS 9 would result in changes in the Organization's accounting process specifically in the method of calculating allowance for impairment - the exact quantum of which is currently being assessed.

- **PFRS 16, *Leases*:** PFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard (finance or operating lease).

PFRS 16 replaces existing leases guidance including PAS 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases - Incentives* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for entities that apply PFRS 15, *Revenue from Contracts with Customers*, at or before the initial application of PFRS 16.

The adoption of PFRS 16 will not have a significant impact on the separate financial statements because the Organization's operating leases are low-value and short-term.

- **IFRIC 22, *Foreign Currency Transaction and Advance Consideration***: IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue).

The interpretation specifies that the date of transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

IFRIC 22 is effective for annual periods beginning on or after January 1, 2018 with earlier application permitted. Entities can apply the interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

- **PFRS 15, *Revenue from Contracts with Customer*** (effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted). PFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. PFRS 15 will supersede the current revenue recognition guidance including PAS 18, *Revenue*, PAS 11, *Construction Contracts*, and the related interpretations when it becomes effective. The core principle of PFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the PFRS 15 introduces a five-step model approach to revenue recognition:
  - a) Step 1: Identify the contracts(s) with a customer
  - b) Step 2: Identify the performance obligations in the contract
  - c) Step 3: Determine the transaction price.
  - d) Step 4: Allocated the transaction price to the performance obligations in the contract
  - e) Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under PFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in PFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by PFRS 15.

In April 2016, the IASB issued clarifications to PFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

- **Amendments to PFRS 2, *Classification and Measurement of Share-based Payment Transactions*** (effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted). The IASB issued amendments to PFRS 2, *Share-based Payment*, that address three main areas:
  - a) the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;
  - b) the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and
  - c) accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

- **Amendments to PFRS 4, *Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts*** (effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted). The amendments address concerns arising from implementing the new financial instruments standard, PFRS 9, before implementing PFRS 17, *Insurance Contracts*, which replaces PFRS 4.

The amendments introduce two options for entities issuing insurance contracts: i) a temporary exemption from applying IFRS 9, and ii) an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

- **Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*** (effective date has yet to be set by the IASB; however, earlier application of the amendments is permitted). The amendments to PFRS 10 and PAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.
- **Amendments to PAS 40, *Transfers of Investment Property*** (effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted). The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred.

The amendments further clarify that situations other than the ones listed in PAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

The application of these amendments may have an impact on the financial statements in future periods should there be a change in use of any of its properties.

#### **Annual Improvements Cycle - 2014-2016**

- **Amendments to PFRS 1, *First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters***. Short-term exemptions in paragraphs E3-E7 of IFRS 1 were deleted because they have now served their intended purpose. The amendments are effective for annual periods beginning on or after January 1, 2018, with early application permitted.

- **Amendments to PAS 28, *Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice.*** The amendments clarify that:
  - a) An entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
  - b) If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (i) the investment entity associate or joint venture is initially recognized; (ii) the associate or joint venture becomes an investment entity; and (iii) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively and are effective from 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact.

### 2.3 Cash

Cash includes cash on hand and in banks which are subject to insignificant risks of changes in value. Cash in banks earns interest at prevailing bank deposit rates.

### 2.4 Financial instruments

#### *Date of recognition*

Financial assets and financial liabilities are recognized in the separate statement of financial position when the Organization 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. Deposits, amounts due to banks and loans are recognized when cash is received by the Organization or advanced to the borrowers.

#### *Initial recognition*

Financial instruments are recognized in the separate statement of financial position when the Organization becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done at trade date, which is the date on which the Organization commits to purchase or sell the asset.

Financial instruments are recognized initially at fair value plus transaction costs except for financial instruments measured at FVPL.

Financial instruments carried at FVPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss.

#### *Classification of financial instruments*

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

## Financial assets

The Organization classifies its financial assets as (a) financial assets at FVPL, (b) held-to maturity (HTM) investments, (c) loans and receivables, or (d) available-for-sale (AFS) financial assets.

### *(a) Financial assets at FVPL*

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition as at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Changes in the fair value of such assets are accounted for in profit or loss. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

As at December 31, 2017 and 2016, the Organization does not have financial assets under this category.

### *(b) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortized cost, less impairment in value. Amortization is determined using the effective interest method. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through amortization process. Unearned discount is recognized as income over the life of the loan using the effective interest method. Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Organization will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

The Organization's cash on hand and in banks, loans and other receivables, and refundable deposits are included in this category.

### *(c) HTM investments*

HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Organization's management has the positive intention and ability to hold to maturity. After initial measurement, these investments are measured at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). Gains and losses are derecognized or impaired, as well as through the amortization process.

As at December 31, 2017 and 2016, the Organization does not have financial assets under this category.

### *(d) AFS investments*

AFS investments include equity and debt securities. Equity investments classified as AFS are those, which are neither classified as held for trading nor designated at FVPL. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response in the market conditions.

After initial measurement, AFS investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income (OCI) in the AFS reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified in profit or loss and removed from the AFS reserve.

The Organization evaluates whether the ability and intention to sell its AFS investments in the near term is still appropriate. When the Organization is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Organization may elect to reclassify these assets for the foreseeable future or until maturity. Reclassification to the HTM category is permitted only when the Organization has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the AFS category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest method. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the effective interest method.

As at December 31, 2017 and 2016, the Organization does not have financial assets under this category.

### **Financial liabilities**

Financial liabilities are classified as (a) financial liabilities at FVPL (including financial liabilities held for trading and those that are designated at fair value), and (b) other financial liabilities measured at amortized cost.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Gains and losses arising from changes in the fair value of financial liabilities classified as held for trading are included in profit or loss. The Organization has no financial liabilities that are designated at FVPL.

The Organization's financial liabilities measured at amortized cost include members' deposits, loans payable and accounts and other payables.

Members' deposits are recognized initially at fair value and subsequently measured at amortized cost less settlement payments.

Loans payable are recognized initially at fair value, being the issue proceeds, net of transaction costs incurred. Loans payable are subsequently stated at amortized cost. Any difference between the proceeds, net of transaction costs and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Accounts and other payables are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Organization is established. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the suppliers, including amounts due to employees. It is necessary to estimate the amount or timing of accruals, however, the uncertainty is generally much less than for provisions.

### ***Classification of financial instruments between debt and equity***

Financial instruments are classified as debt or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability is reported as expense or income.

### ***Offsetting of financial instruments***

Financial assets and financial liabilities are offset and the net amount is reported in the separate 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. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the separate statement of financial position.

### ***Determination of fair value***

The fair value of financial instruments traded in active markets is based on their quoted market price or dealer price quotation (bid price for long positions and asked price for short positions). When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

If the financial instruments are not listed in an active market, the fair value is determined using appropriate valuation techniques which include recent arm's length market transactions, net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

### ***Fair value hierarchy***

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 by the Organization.

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 Organization 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 separate 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:

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

Disclosure of fair value is not required when the carrying amount is a reasonable approximation of fair value.

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

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

As at December 31, 2017 and 2016, the Organization does not have financial instruments carried at fair value. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 6.

#### ***Derecognition of financial instruments***

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when: a) the rights to receive cash flows from the asset have expired; b) the Organization retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or c) the Organization has transferred its rights to receive cash flows from the asset and has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Organization has transferred its rights 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 Organization's continuing involvement in the asset.

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, and the difference in the respective carrying amounts is recognized in the profit or loss.

#### ***Impairment of financial assets***

##### ***Assessment of impairment***

The Organization assesses at each financial reporting date whether a financial asset or group of financial assets is impaired. It assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If 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.

The determination of impairment losses for financial assets is inherently subjective because it requires material estimates, including the amount and timing of expected recoverable future cash flows. These estimates may change significantly from time to time, depending on available information.

### *Evidence of impairment*

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Organization on terms that it would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

### *Impairment on 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 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) discounted at the financial asset's original effective interest rate (EIR) (i.e. the EIR computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of loss shall be recognized in profit or loss.

### *Restructured loans*

Where possible, the Organization seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and the future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the EIR, is recognized as impairment loss in profit or loss.

### *Impairment on assets carried at cost*

If there is objective evidence of an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or of a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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.

### *Reversal of impairment loss*

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 profit or loss, to the extent that the carrying value of the asset does not exceed its cost or amortized cost at the reversal date.

## **2.5 Prepayments and other current assets**

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as asset and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in the operations or expire with the passage of time.

Prepayments are classified in the separate statement of financial position as current asset when the cost of the prepayment is expected to be incurred within one year or the Organization's normal operating cycle, whichever is longer.

Other current assets are recognized when the Organization expects to receive future economic benefit from the prepayment and the amount can be measured reliably.

## 2.6 Investment in subsidiaries

A subsidiary is an entity over which the Organization is exposed, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Organization obtains and exercises control through voting rights. The existence and effect of potential voting rights that are currently exercisable and convertible are considered when assessing whether the Organization controls another entity.

The Organization carries its investment at cost less any impairment in value. The carrying value of investment is reviewed for impairment when events or changes in circumstance indicate that the carrying value may not be recoverable. Such impairment loss is measured as the difference between the carrying amount of the investment and the present value of the estimated cash flows discounted at the current market rate of return for a similar financial asset. The amount of impairment loss is recognized in profit or loss. Impairment losses recognized are not reversed.

## 2.7 Property and equipment

Land is stated at cost less any impairment in value and depreciable properties including buildings, land, building improvements, and furniture, fixtures and equipment are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of property and equipment is comprised of the purchase price and costs directly attributable to bringing the asset to its intended use. Subsequent expenditures incurred after the asset has been put into operation are capitalized as additional cost of the asset when the resulting future economic benefit exceeds the originally assessed standard of performance of the asset. All other subsequent expenditures such as repairs and maintenance are recognized in profit or loss in the period the costs are incurred. Renewals and betterments, which improve the originally assessed standard of performance of the property, are capitalized to the appropriate property account.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Building	25 years
Furniture, fixtures and equipment	3 to 5 years
Land and building improvements	5 years

An asset is depreciated when it is available for use until it is derecognized even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

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

The carrying amount of an asset for which there is an indication of impairment is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value are removed from the accounts and any resulting gain or loss arising from the disposal or retirement of an asset, determined as the difference between the sales proceeds and the carrying amount of the asset, is recognized in profit or loss.

## **2.8 Investment property**

Property that is held either to earn rental income or for capital appreciation or for both and that is not significantly occupied by the Organization is classified as investment property.

Investment property, consisting of a building, is initially stated at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and any impairment in value.

The carrying amount of an investment property includes the cost of replacing part of an existing investment property at the time the cost is incurred if the recognition criteria are met, and includes the costs of day-to-day service of an investment property.

Expenditures incurred after the investment property has been put into operations, such as repairs and maintenance costs, are normally charged to profit or loss in the period of incurrence.

Depreciation of depreciable investment property is calculated on a straight-line basis over the estimated useful life of the property of twenty-five (25) years from the date of acquisition. The accumulated impairment in value is established through impairment loss charged to current operations.

When an investment property is derecognized, disposed of, or permanently withdrawn from use and no future benefit is expected from the disposal, any resulting gain or loss on the retirement or disposal of investment property, which is determined by comparing the proceeds with the carrying amount, is included in profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for the subsequent accounting is the carrying amount at the date of change in use. If owner-occupied property becomes an investment property, the Organization accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

## **2.9 Construction in-progress**

Construction in-progress (CIP) represents capitalized expenses incurred in setting up or constructing new facilities or other assets. Depreciation starts when construction of these assets is completed and the asset is transferred to the respective category of property and equipment i.e., when the asset is put to commercial use.

## **2.10 Intangible assets**

Intangible assets are recognized if the expected future economic benefits are probable, the cost or value of the asset can be measured reliably, and the asset does not result from expenditure incurred internally on an intangible item.

The capitalized costs of intangible assets were incurred to develop the computer software until it can be used to render service to customers. The intangible assets are to be amortized over a period of ten (10) years using the straight-line method starting from the time the asset becomes available for use.

## **2.11 Impairment of non-financial assets**

The carrying amounts of the Organization's non-financial assets, such as its property and equipment and investment property, are reviewed at each financial reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of impairment loss.

An impairment loss is recognized in profit or loss whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount of a non-financial asset is the greater of the asset's fair value less costs to sell and its value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction. 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. For an asset that does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount and an impairment loss is recognized in profit or loss.

An impairment loss is reversed if there has been a change in estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Reversals of impairment are recognized in profit or loss.

## **2.12 Deferred income on government grants**

Government grants, including non-monetary grants at fair value, are recognized only when there is reasonable assurance that the Organization will comply with any conditions attached to the grant and the grant will be received.

Grants are recognized as income over the period necessary to match them with the related cost, for which they are intended to compensate, on a systematic basis and should not be credited directly to members' equity.

## **2.13 Provisions and contingencies**

Provisions are recognized when: (a) the Organization has a present, legal or constructive, obligation as a result of a past event; (b) it is probable that an outflow of resources will be required to settle the obligation, and (c) the amount can be reliably estimated. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as finance cost. When the Organization expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is charged against profit or loss, net of any reimbursement. Provisions are reviewed at each financial reporting date and adjusted to reflect the current best estimate.

Contingent liabilities are not recognized in the Organization's separate 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 Organization's separate financial statements but disclosed in the notes to the separate financial statements when an inflow of economic benefits is probable.

## 2.14 Fund balance

Fund balance includes the one-time-payment of non-refundable membership fee, actuarial gains (losses) on retirement liability, and all appropriated and unappropriated current and prior period results.

Appropriated fund balance pertains to funds restricted for a particular purpose such as appropriation for building construction, contingency fund, and social development responsibility.

Unappropriated fund balance includes all current and prior period results as disclosed in the statement of comprehensive income and statement of changes in fund balance, free of any restriction.

## 2.15 Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Organization and revenue can be reliably measured.

The additional specific recognition criteria for each type of revenue are as follows:

### *Interest income on loans and other receivables*

Interest income on loans and other receivables is recognized in profit or loss for all financial instruments measured at amortized cost using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. When calculating the EIR, the Organization estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the EIR, transaction costs, and all other premiums or discounts.

### *Interest income on deposits and placements*

Interest income on deposits and placements is recognized as the interest accrues usually on a time proportion basis taking into account the effective yield on the asset or EIR. Interest income earned from deposits and placements in banks is presented net of applicable tax withheld by banks.

### *Service charges*

Service charges are related to the administration and servicing of loans and are recognized when the service has been provided.

### *Dividend income*

Dividend income from investment is recognized when the shareholder's right to receive payment has been established.

### *Other income*

Other income is recognized when earned.

## 2.16 Interest expense

Interest expense on members' deposits is recognized in profit or loss when incurred. It is calculated using the effective interest method based on the average daily balance and is credited to the members' accounts regularly.

Interest incurred on loans payable is recognized in profit or loss when incurred.

## 2.17 Expense recognition

Expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be reliably measured. Expenses are recognized 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 with income can only be broadly or indirectly determined; or immediately when an 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. Operating expenses are costs directly attributable to the microfinance activities of the Organization. General and administrative expenses are costs attributable to the administrative and other business activities of the Organization.

## 2.18 Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

### *Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. If the amount paid for the current and past periods exceeds the amount payable for those periods, the Organization recognizes the excess as a current tax asset. The tax rates and tax laws used to compute the current tax are those that are enacted and substantively enacted as of the financial reporting date.

### *Deferred tax*

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

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

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

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

The Organization has not recognized deferred tax as at December 31, 2017 and 2016. The management believes that the Organization will not benefit from it in the future periods due to its income tax exempt status pursuant to Section 30 (e) of the National Internal Revenue Code of 1997.

## 2.19 Employee benefits

### *Short-term benefits*

Short-term benefits are recognized as expense in the period when the economic benefits are given. Unpaid benefits at the end of the accounting period are recognized as accrued expense while benefits paid in advance are recognized as prepayment to the extent that it will lead to a reduction in future payments. Short-term benefits given by the Organization to its employees include salaries and wages, short-term compensated absences, bonuses and non-monetary benefits.

### *Retirement benefits*

Post-employment benefit is provided to employees through a defined benefit plan.

Retirement benefit cost is determined using the projected unit credit method. This method reflects the services rendered by the employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. The components of defined benefit cost include service cost, net interest on the net defined benefit liability (asset) in profit or loss, and remeasurements of the net defined benefit liability (asset) in OCI. Remeasurements of the net defined benefit liability (asset) recognized in OCI shall not be reclassified to profit or loss in a subsequent period.

The retirement benefit liability recognized is the present value of the Organization's defined benefit obligation (DBO) as of financial reporting date. An actuary, using the projected unit credit method, calculates the DBO. The present value of the DBO is determined by discounting the estimated future cash outflows using risk-free interest rates of bonds that have terms to maturity approximating the terms of the related retirement obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to OCI.

Past service costs are recognized immediately in profit or loss.

## 2.20 Leases

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

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

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

### NOTE 3 - SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of the separate financial statements in conformity with PFRSs requires the Organization to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the separate financial statements as they become reasonably determinable.

Judgments, estimates and assumptions 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.

#### 3.1 Judgments

In the process of applying the Organization's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the separate financial statements.

##### *Determination of functional currency*

Based on the economic substance of the underlying circumstances relevant to the Organization, the functional currency is determined to be the Philippine Peso (P). It is the currency that mainly influences the Organization's operations.

##### *Classification of financial instruments*

The Organization classifies a financial instrument, 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 agreement and the guidelines set by PAS 39 on the definitions of a financial asset, a financial liability or equity. In addition, the Organization also determines and evaluates its intention and ability to keep the investment until its maturity dates. The substance of a financial instrument, rather than its legal form, generally governs its classification in the statement of financial position.

The classification of financial assets and financial liabilities is set out in Note 6 to the separate financial statements.

##### *Determination of whether an arrangement contains a lease*

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in the arrangement.

The Organization has entered into operating lease arrangements both as a lessee and as a lessor. Critical judgment was exercised by management to distinguish the lease agreement as either operating or finance lease by looking at the transfer or retention of significant risks and rewards of ownership of the property covered by the agreement. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

The Organization has determined that all of its lease contracts (whether acting as a lessee or a lessor) are operating leases since there is no transfer of significant risks and rewards of ownership.

Rent expense amounted to P12,665,588 and P11,045,471 for the years ended December 31, 2017 and 2016, respectively (Notes 21 and 22).

Rental income amounted to P1,430,000 and P1,383,000 for the years ended December 31, 2017 and 2016, respectively (Note 20).

Leases accounted for as operating lease are disclosed in Note 24.

#### *Determination of fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded in the separate statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These estimates may include consideration of liquidity, volatility and correlation.

The Organization classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether 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.

#### *Contingent liabilities*

Judgment is exercised by management to distinguish between provision and contingencies. The Organization's policy on provisions and contingencies is discussed in Note 2.13. The Organization is a defendant in legal actions arising from normal business activities (Note 24).

### **3.2 Estimates and assumptions**

The following are the key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### *Estimation of allowance for impairment on loans and other receivables*

The Organization reviews its loans and other receivables at each financial reporting date to assess whether an impairment loss should be recognized in profit or loss. In particular, the management estimates the amount and timing of future cash flows based on a number of factors and calculates the impairment loss. Actual results may differ, at which event the Organization adjusts the impairment loss and ensures that allowance for it remains adequate.

The Organization provides allowance for impairment on loans and other receivables in accordance with the benchmark rates issued by Microfinance Council of the Philippines, Inc., which is based largely on the age of the loans.

All current microfinance loans shall be subject to a 1% loan loss provision while provision for past due and impaired loans shall be computed using the following rates:

<u>No. of days missed payment</u>	<u>Required allowance</u>
Portfolio-at-Risk (PAR) 1-30	2%
31-60 and/or loans restructured once	20%
61-90	50%
91 or more and/or loans restructured twice	100%

The allowance for impairment is established through provision for impairment losses charged to current operations. Loans are written off against the allowance for impairment when management believes that the collectability of the outstanding balance is unlikely.

Recoverability of specific receivables is evaluated based on the best available facts and circumstances, the length of the Organization's relationship with its debtors, the debtors' payment behavior and known market factors. These specific reserves are re-evaluated and adjusted as additional information is received that affects the amount estimated to be uncollectible.

The carrying amounts of loans and other receivables, and allowance for impairment as at December 31, 2017 and 2016 (Note 8).

*Estimation of useful lives of property and equipment, investment property, and intangible assets*

The Organization estimates the useful lives of property and equipment, investment property, and intangible assets based on the period over which the assets are expected to be available for use. Their estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment, investment property, and intangible assets is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the foregoing factors.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment, investment property and intangible assets would increase recorded general and administrative expenses and decrease non-current assets.

The useful lives of the Organization's property and equipment, investment property and intangible assets are presented in Notes 2.7, 2.8 and 2.10.

*Impairment of non-financial assets*

PFRSs require that an impairment review be performed when certain impairment indicators are present. The Organization assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Organization considers important which could trigger an impairment review include the following: a) significant underperformance relative to expected historical or projected future operating results; b) significant changes in the manner of use of the acquired assets or the strategy for overall business; and c) significant negative industry or economic trends. The Organization's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.11. Though management believes that the assumptions used in the estimation of fair values reflected in the separate financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations of the Organization.

The carrying values of prepayments and other current assets, investment in subsidiaries, property and equipment, investment property, and intangible assets are disclosed in Notes 9, 10, 11, 12 and 13, respectively.

*Estimation of liability for retirement benefits*

The determination of the Organization's obligation and cost of retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in the notes to financial statements and include, among others, discount rates and expected rate of salary increases. The amounts of retirement benefit obligation and expense, and an analysis of the movements in the estimated present value of DBO are presented in Note 19.

#### NOTE 4 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Organization is exposed to a variety of financial risks arising from its operating, investing and financing activities. The BOT is mainly responsible for the Organization's overall financial risk management, which includes establishment and approval of risk strategies, policies and limits. The main objective of the financial risk management is to minimize the adverse impact of financial risks on the Organization's financial performance and financial position due to the unpredictability of financial markets.

The Organization's principal financial instruments comprise mainly of cash on hand and in banks, loans and other receivables, members' deposits, accounts and other payables and loans payable. The main purpose of these financial instruments is to generate income and provide financing for the Organization's operations.

The main risks arising from the Organization's financial instruments are credit risk, market risk and liquidity risk. The BOT reviews and approves the policies for managing these risks and they are summarized as follows:

##### a. Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

To mitigate credit risk, the Organization adopted and implemented the poverty assessment tool and the cash flow assessment tool as part of its selection process to measure the capacity of the business to cover the loan payment, the description of the client's business, purpose of loan and the sources of loan payment (primary and secondary). As such, branch and community development officers' (CDOs) performance has been strengthened.

Implementation of loan tracking mechanism to monitor loan status, Portfolio-at-Risk (PAR), portfolio quality, repayment performance and history is made to mitigate risk. Furthermore, strict adherence to credit discipline is observed.

The Organization recognizes the need to mitigate member's risk exposure in the form of introducing insurance as a form of protection against threat or possibility of loss.

The Organization adopts a strong Internal Audit Unit with clear audit plans and procedures to anticipate, detect and correct deviations from the system and ensure proper compliance with approved policies and procedures. Assurance that cash collection and disbursements are in place to minimize transaction costs and eliminate unnecessary costs. Regular spot audit of both branches and savings and loans system (SLS) is done by the Internal Audit Unit to eliminate irregularities that lead to fraud and losses. The Organization consistently reviews its delinquency management and loan recovery policies to support high repayment rates and operational viability.

The Organization's maximum exposure to credit risk before collateral held or other credit enhancements as at December 31 follows (gross of allowance for impairment):

	2017	2016
Cash in banks (Note 7)	P351,326,985	P168,184,254
Loans and other receivables (Note 8)	1,421,404,111	1,504,259,553
Refundable deposits (Note 14)	725,350	874,975
	<u>P1,773,456,446</u>	<u>P1,673,318,782</u>

The aging analyses as at December 31 of financial assets are as follows (gross of allowance for impairment):

		2017				
		Past due but not impaired		Past due and impaired		
Total	Neither impaired nor past due	Past due but not impaired	1 - 30 days	31-60 days	61-90 days	> 90 days
Cash in banks (Note 7)	P351,326,985	P-	P-	P-	P-	P-
Loans and other receivables (Note 8)	1,421,404,111	-	19,575,263	5,163,317	3,937,533	71,411,380
Refundable deposits (Note 14)	725,350	-	-	-	-	-
	P1,773,456,446	P1,673,368,953	P19,575,263	P5,163,317	P3,937,533	P71,411,380

		2016				
		Past due but not impaired		Past due and impaired		
Total	Neither impaired nor past due	Past due but not impaired	1 - 30 days	31-60 days	61-90 days	> 90 days
Cash in banks (Note 7)	P168,184,254	P-	P-	P-	P-	P-
Loans and other receivables (Note 8)	1,504,259,553	-	194,963	1,026,688	2,522,158	101,140,749
Refundable deposits (Note 14)	874,975	-	-	-	-	-
	P1,673,318,782	P1,568,434,224	P194,963	P1,026,688	P2,522,158	P101,140,749

*Credit quality per class of financial assets*

The credit quality of financial assets is determined based on the Organization's historical experience with the corresponding parties.

The bases in grading the Organization's financial assets are as follows:

*High grade*

These are financial assets which have a high probability of collection. The counterparty has the apparent ability to satisfy its obligation and the security is readily enforceable.

*Standard grade*

These are financial assets where collections are probable due to the reputation and the financial ability of the counterparty to pay but with the experience of default.

*Substandard grade*

These are financial assets where the counterpart has the experience of default and probability of turning past due in the near future and/or are already past due.

Cash in banks - based on the nature of the counterparty and the Organization's internal rating system. The counterparty has the apparent ability to satisfy its obligation, thus, there is a high probability of collection.

Loans and other receivables - high grade and low risk accounts are neither past due nor impaired accounts which are fully secured by collateral and with good loan collection status. Standard grade and medium risk accounts are neither past due nor impaired accounts and are partially secured. Substandard grade pertains to either secured or clean loans with history of default payments.

Refundable deposits - The counterparty has the apparent ability to satisfy its obligation with least likelihood of default.

The tables below show the credit quality by class of financial assets as at December 31:

	2017					
	Neither impaired nor past due			Past due but not impaired	Past due and impaired	Total
	High grade	Standard grade	Substandard grade			
Cash in banks (Note 7)	P351,326,985	P-	P-	P-	P-	P351,326,985
Loans and other receivables (Note 8)	1,321,316,618	-	-	-	100,087,493	1,421,404,111
Refundable deposits (Note 14)	725,350	-	-	-	-	725,350
	<b>P1,673,368,953</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P100,087,493</b>	<b>P1,773,456,446</b>

	Neither impaired nor past due			Past due but not impaired	Past due and Impaired	Total
	High grade	Standard Grade	Substandard grade			
Cash in banks (Note 7)	P168,184,254	P-	P-	P-	P-	P168,184,254
Loans and other receivables (Note 8)	1,399,374,995	-	-	-	104,884,558	1,504,259,553
Refundable deposits (Note 14)	874,975	-	-	-	-	874,975
	P1,568,434,224	P-	P-	P-	P104,884,558	P1,673,318,782

b. Market risk

Market risk is the risk of loss of future earnings or future cash flows arising from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchanges rates, equity prices and other market changes. The Organization's market risk is manageable within conservative bounds. As at December 31, 2017 and 2016, the Organization has not engaged in trading financial instruments.

*Interest rate risk*

Interest rate risk is the risk to earnings or capital resulting from adverse movements in interest rates. The economic perspective of interest rate risk focuses on the value of a financial instrument in the current interest rate environment and the sensitivity of that value to changes in interest rates.

The Organization has no significant exposure to interest rate risk because its financial instruments bears fixed interest rates and are measured at amortized cost

*Foreign exchange risk*

The Organization has no significant exposure to foreign currency risks as most transactions are denominated in Philippine Peso, its functional currency. However, the Organization pays US\$300 to Electronic Network Cash Tellers, Inc. (ENCASH) for the annual license fee on the use of ATMs.

c. Liquidity risk

Liquidity risk is the risk from an entity's inability to meet obligations when they become due because of its inability to liquidate assets or obtain adequate funding. The Organization ensures that sufficient liquid assets are available to meet short-term funding and regulatory requirements.

The Organization's liquidity and cash positions are monitored on a daily basis. The Organization maintains sufficient liquidity reserves in the form of high-yielding deposits with banks. The Organization has also obtained sufficient liquidity lines from other banks and non-bank lending institutions that can relieve financial pressures in the event of an extraordinary demand for liquidity. Further, the Organization actively discounts loans with entities that have given the Organization more than sufficient discounting lines.

The following tables summarize the maturity profile of financial instruments that is used by the Organization to manage its liquidity risk based on contractual undiscounted cash flows (including interest):

	2017				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
<i>Financial liabilities</i>					
Members' deposit (Note 15)	P566,027,287	P-	P-	P-	P566,027,287
Accounts and other payables (Note 16)*	45,361,168	20,173,477	4,219,626	60,000	69,814,271
Loans payable (Note 18)	-	88,733,769	96,769,583	25,936,171	211,439,523
	<b>P611,388,455</b>	<b>P108,907,246</b>	<b>P100,989,209</b>	<b>P25,996,171</b>	<b>P847,281,081</b>
	2016				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
<i>Financial liabilities</i>					
Members' deposit (Note 15)	P482,561,670	P-	P-	P-	P482,561,670
Accounts and other payables (Note 16)*	17,400,980	33,247,141	8,311,785	-	58,959,906
Loans payable (Note 18)	-	95,347,134	214,739,038	122,106,273	432,192,445
	<b>P499,962,650</b>	<b>P128,594,275</b>	<b>P223,050,823</b>	<b>P122,106,273</b>	<b>P973,714,021</b>

\*excluding government liabilities

The maturity grouping of financial instruments is based on the remaining period from the end of the financial reporting period to the contractual maturity date. For financial liabilities, when the counterparty has a choice of when the amount is to be paid, the liability is allocated to the earliest period in which the Organization can be required to pay.

#### NOTE 5 - CAPITAL MANAGEMENT

The primary objective of the Organization's capital management is to ensure the ability of the Organization to have sufficient capital to underpin the Organization's risk-taking activities, and continue as a going concern and maintain a strong credit rating.

The BOT has the overall responsibility for monitoring the Organization's capital structure and making the necessary adjustments to address the risks and adapt to changes in economic conditions and regulatory requirements.

The Organization regards the following items as the fund it manages as at December 31:

	2017	2016
Fund balance		
Appropriated	P40,000,000	P40,000,000
Unappropriated	1,088,199,096	847,242,217
	<b>P1,128,199,096</b>	<b>P887,242,217</b>

In its meeting held on December 18, 2014, the management, with the approval of the BOT, appropriated P40,000,000 of the fund as special reserves for any probable contingency.

The movements in the unappropriated portion of members' equity are as follows:

	<u>2017</u>	<u>2016</u>
Balance as at January 1	P847,242,217	P559,694,088
Additional revolving fund	226,970	381,170
Profit for the year	<u>240,729,909</u>	<u>287,166,959</u>
Balance as at December 31	<u><u>P1,088,199,096</u></u>	<u><u>P847,242,217</u></u>

Revolving fund pertains to non-refundable membership fees collected from the new members.

#### NOTE 6 - FINANCIAL INSTRUMENTS

The following table summarizes the carrying values of the Organization's financial assets and financial liabilities at December 31:

	<u>2017</u>	<u>2016</u>
<b><i>Financial assets</i></b>		
Loans and receivables		
Cash on hand and in banks (Note 7)	P351,376,985	P168,234,254
Loans and other receivables (Note 8)	1,327,517,424	1,440,826,612
Refundable deposits (Note 14)	<u>725,350</u>	<u>874,975</u>
	<u><u>P1,679,619,759</u></u>	<u><u>P1,609,935,841</u></u>
<b><i>Financial liabilities</i></b>		
Financial liabilities at amortized cost		
Members' deposit (Note 15)	P566,027,287	P482,561,670
Accounts and other payables (Note 16)*	69,814,271	58,959,906
Loans payable (Note 18)	<u>205,456,501</u>	<u>413,542,774</u>
	<u><u>P841,298,059</u></u>	<u><u>P955,064,350</u></u>

\*excluding government liabilities

The above carrying values of financial assets and financial liabilities, except for refundable deposits and loans payable, net of current portion, carried at amortized cost, approximate their fair values due to the relatively short-term nature of the financial instruments. As discussed in Note 2.4, the disclosure of fair value is not required when the carrying amount is a reasonable approximation of fair value.

The fair value of refundable deposits and loans payable, net of current portion are as follows:

	<u>2017</u>	<u>2016</u>
<b><i>Financial asset</i></b>		
Refundable deposits	<u><u>P575,318</u></u>	<u><u>P694,031</u></u>
<b><i>Financial liability</i></b>		
Loans payable, net of current portion	<u><u>P20,004,811</u></u>	<u><u>P94,401,341</u></u>

*Income, expense, gains or losses on financial instruments*

Items of income, expense, gains or losses with respect to financial assets and financial liabilities in the separate statement of comprehensive income are as follows:

	<u>2017</u>	<u>2016</u>
Interest income from:		
Loans and receivables (Note 8)	P708,775,620	P661,295,551
Bank deposits (Notes 7 and 20)	517,891	353,766
Finance lease receivable (Notes 8 and 20)	33,307	200,810
	<u>P709,326,818</u>	<u>661,850,127</u>
Interest expense on:		
Members' deposits (Note 15)	P26,183,596	P20,831,371
Loans payable (Note 18)	14,604,989	29,751,218
	<u>P40,788,585</u>	<u>P50,582,589</u>
Provision for impairment on loans and receivables (Note 8)	<u>P101,403,031</u>	<u>P28,367,518</u>

**NOTE 7 - CASH ON HAND AND IN BANKS**

The details of the account are as follows:

	<u>2017</u>	<u>2016</u>
Cash in banks	P351,326,985	P168,184,254
Cash on hand	50,000	50,000
	<u>P351,376,985</u>	<u>P168,234,254</u>

Cash in banks generally earns interest at the daily bank deposit rates ranging from 0.10% to 5.25% and 0.13% to 5% per annum for the years ended December 31, 2017 and 2016, respectively. Interest earned for the years ended December 31, 2017 and 2016 amounted to P517,891 and P353,766, respectively (Note 20).

## NOTE 8 - LOANS AND OTHER RECEIVABLES, NET

The details of the account are as follows:

	<u>2017</u>	<u>2016</u>
Loans		
Micro-business loans (MBLs)	P1,057,512,628	P1,152,146,078
Multi-purpose loans (MPLs)	251,127,629	245,923,015
Staff loans	23,385,984	35,091,196
Individual loans	2,606,794	5,060,263
Emergency loans	1,939,712	9,571,276
Employee loans	160,810	593,955
	<u>1,336,733,557</u>	<u>1,448,385,783</u>
Accounts receivable	39,246,316	29,832,442
Interest receivable	23,442,995	6,717,453
Due from related parties (Note 23)	19,308,950	18,402,102
Finance lease receivable	2,672,293	921,773
	<u>1,421,404,111</u>	<u>1,504,259,553</u>
Allowance for impairment	<u>(93,886,687)</u>	<u>(63,432,941)</u>
	<u><u>P1,327,517,424</u></u>	<u><u>P1,440,826,612</u></u>

Loans and other receivables are classified as follows:

	<u>2017</u>	<u>2016</u>
Current	P1,327,517,424	P1,440,826,612
Non-current	-	-
	<u><u>P1,327,517,424</u></u>	<u><u>P1,440,826,612</u></u>

Loans receivable represents loans to members who are administered through the SLS that have been established through each of the 68 and 59 branches in 2017 and 2016, respectively. Each branch has 40 to 50 SLS under its supervision and each SLS may consist of a minimum of three (3) Guarantee Groups (GG) for new SLS, and six (6) GGs for old SLS with five members each.

Through ARDCI's technical and financial assistance, the SLS groups identify, determine and implement financially viable micro-business to enable the farmers and fisher folks to save and manage their own resources efficiently, thus, growing into self-sustaining agri-entrepreneurs in Catanduanes.

MBLs are intended to increase the income-generating projects of the members with an interest rate of 24% and 34% per annum on the principal amount in Catanduanes and branches operating outside the province, respectively.

MPLs are intended for any emergency needs, house acquisition and/or improvements, acquisition of assets, hospitalization, etc. of SLS members, with interest at 24% and 34% per annum on the principal amount in Catanduanes and branches operating outside the province, respectively.

Staff loans are intended for the regular employees of the Organization with an interest rate of 10% per annum.

Individual loans are intended to make affordable credit facility to help micro entrepreneurs develop and expand their businesses and self-employment opportunities. These loans are with an interest rate of 24% and 34% per annum for branches located at Catanduanes and for those outside the province, respectively.

Emergency loans are intended to augment the needs of members in times of emergency with a maximum loanable amount of P10,000 payable depending on cash flow of the members.

Employee loans are intended to extend viable credit to employees to reduce employee stress caused by financial obligations, to improve an employee's financial fitness through access to short term and affordable loans and to help those employees fill up the gap in their needs for additional capital to finance for existing business enterprise.

Loans receivable amounting to P205,456,501 and P488,407,456 as at December 31, 2017 and 2016, respectively, has been pledged as collateral for loans from financial institutions (Note 18).

Accounts receivable includes unliquidated cash advances, receivable from the insurance unit, receivable from Social Security System (SSS) for advances for maternity benefits and receivable from Philippine Life Financial Assurance Corp. (PhilLife) and Country Bankers Life Insurance Corporation (CBLIC).

Finance lease receivable represents car and motorcycle loans granted to the Organization's employees particularly to CDOs. These loans are executed under a loan agreement with ARDCI employees. Car loan was recently offered to managerial and supervisory employees of the Organization. The motorcycles are initially registered under the Organization's name and upon full payment of the loan, the Certificate of Registration is transferred to the employees. The interest rate for finance lease receivable is 10% and 13% in 2017 and 2016, respectively. Interest earned for the years ended December 31, 2017 and 2016 amounted to P33,307 and P200,810, respectively (Note 20).

The Organization collected accounts previously written-off from its members amounting to P788,440 for the year ended December 31, 2017 (Note 20).

Interest earned from loans and other receivables for the years ended December 31, 2017 and 2016 amounted to P708,775,620 and P661,295,551 respectively.

Loans and other receivables amounting to P70,949,285 were written off in 2017 as approved by the BOT per Board Resolution No. 77 in its meeting held on June 13, 2017.

The movements in allowance for impairment are as follows:

	<u>2017</u>	<u>2016</u>
At January 1	P63,432,941	P35,065,423
Provision	101,403,031	28,367,518
Write-off	<u>(70,949,285)</u>	<u>-</u>
	<u><u>P93,886,687</u></u>	<u><u>P63,432,941</u></u>

## NOTE 9 - PREPAYMENTS AND OTHER CURRENT ASSETS

The details of the account are as follows:

	<u>2017</u>	<u>2016</u>
Stationery and supplies on hand	P12,437,821	P11,661,712
Advances to service provider	9,035,415	-
Prepayments	<u>6,331,230</u>	<u>6,459,656</u>
	<u>P27,804,466</u>	<u>P18,121,368</u>

Advances to service provider pertains to the contract entered into by the Organization for the implementation of a new application system.

Prepayments pertain to the unexpired portion of fidelity and health insurance of employees. Stationery and supplies on hand include unused passbooks, office and medicine supplies and promotional T-shirts and calendars.

## NOTE 10 - INVESTMENT IN SUBSIDIARIES

The account represents the Organization's investments in the shares of stock of ABI, ACI and APSS. Details of the investments are as follows:

	<u>2017</u>	<u>2016</u>
Investment in:		
ARDCIBank, Inc. - A Rural Bank (ABI)	P20,250,000	P20,250,000
ARDCI Prime Security Services (APSS), Inc.	7,000,000	-
ARDCI Corporate Inn, Inc. (ACI)	<u>6,900,000</u>	<u>6,900,000</u>
	<u>P34,150,000</u>	<u>P27,150,000</u>

The investment in ABI represents the Organization's 79.66% ownership in the issued and outstanding shares of stocks of the ABI as at December 31, 2017 and 2016, respectively, which is accounted for using the cost method.

The Organization received a cash dividend amounting to P3,982,975 in 2016 (Note 20). On April 11, 2017, ABI declared 100% stock dividends distributed to its common shareholders. The Organization received 202,500 shares accordingly and maintained its 79.66% ownership in ABI.

In 2015, the Organization subscribed to 50,000 common shares of the 200,000 authorized common shares of ACI with a par value of P100 per share for P5,000,000. An additional 19,000 common shares with a par value of P100 per share for P1,900,000 was subscribed to in 2016. The said subscription represents the Organization's 98.55% ownership in the issued and outstanding shares of stock of ACI as at December 31, 2017 and 2016, respectively.

The Organization subscribed to 35,000 common shares of APSS with a par value of P200 per share for P7,000,000 during the year. This represents 99.98% ownership in the issued and outstanding shares of APSS as at December 31, 2017.

**NOTE 11 - PROPERTY AND EQUIPMENT, NET**

The details and movements of the Organization's property and equipment are as follows:

	2017					
	Building	Land	Land improvements	Furniture, fixtures and equipment	Construction in progress	Total
<b>Cost</b>						
At January 1, 2017	P42,058,324	P18,153,309	P5,255,480	P64,103,806	P4,425,333	P133,996,252
Additions	-	10,000,000	2,667,564	16,640,022	11,181,279	40,488,865
Retirement	-	-	-	(1,974,793)	-	(1,974,793)
Reclassification	10,352,069	-	-	-	(15,565,816)	(5,213,747)
At December 31, 2017	52,410,393	28,153,309	7,923,044	78,769,035	40,796	167,296,577
<b>Accumulated depreciation</b>						
At January 1, 2017	9,588,485	-	352,597	43,113,484	-	53,054,566
Depreciation (Notes 21 and 22)	1,866,221	-	292,968	9,710,407	-	11,869,596
Retirement	-	-	-	(1,974,793)	-	(1,974,793)
At December 31, 2017	11,454,706	-	645,565	50,849,098	-	62,949,369
<b>Net book value</b>	<b>P40,955,687</b>	<b>P28,153,309</b>	<b>P7,277,479</b>	<b>P27,919,937</b>	<b>P40,796</b>	<b>P104,347,208</b>

2016

	Building	Land	Land and building improvements	Furniture, fixtures and equipment	Construction in progress	Total
<b>Cost</b>						
At January 1, 2016	P32,258,369	P16,953,309	P1,170,175	P56,331,622	P17,745,224	P124,458,699
Additions	9,799,955	1,200,000	4,085,305	8,091,269	6,280,018	29,456,547
Retirement	-	-	-	(319,085)	-	(319,085)
Reclassification	-	-	-	-	(19,599,909)	(19,599,909)
At December 31, 2016	42,058,324	18,153,309	5,255,480	64,103,806	4,425,333	133,996,252
<b>Accumulated depreciation</b>						
At January 1, 2016	8,114,842	-	251,209	31,819,902	-	40,185,953
Depreciation (Notes 21 and 22)	1,473,643	-	101,388	11,612,667	-	13,187,698
Retirement	-	-	-	(319,085)	-	(319,085)
At December 31, 2016	9,588,485	-	352,597	43,113,484	-	53,054,566
<b>Net book value</b>	P32,469,839	P18,153,309	P4,902,883	P20,990,322	P4,425,333	P80,941,686

The Organization retired fully depreciated assets amounting to P1,974,793 and P319,085 as at December 31, 2017 and 2016, respectively.

The cost of fully depreciated assets of the Organization still in use amounted to P34,626,936 and P15,313,803 as at December 31, 2017 and 2016, respectively.

The Organization reclassified assets to investment property amounting to P5,213,747 and P19,599,909 as at December 31, 2017 and 2016, respectively.

There are no items of property and equipment used as security for any liabilities of the Organization as at December 31, 2017 and 2016.

Management believes that there is no indication of impairment on the Organization's property and equipment as the net carrying amount is higher than its recoverable amount.

#### NOTE 12 - INVESTMENT PROPERTY, NET

The details of and movements in the Organization's investment property, consisting of a building, are as follows:

	<u>2017</u>	<u>2016</u>
<b>Cost</b>		
At January 1	P83,104,262	P63,504,353
Additions (Note 11)	5,213,747	19,599,909
At December 31	<u>88,318,009</u>	<u>83,104,262</u>
<b>Accumulated depreciation</b>		
At January 1	8,478,292	5,715,392
Depreciation (Notes 21 and 22)	3,533,712	2,762,900
At December 31	<u>12,012,004</u>	<u>8,478,292</u>
Net book value	<u>P76,306,005</u>	<u>P74,625,970</u>

The fair value of the building cannot be readily determined based on observable market data because there are no comparable properties in its location.

The rental income from investment property amounted to P1,430,000 and P1,383,000 for the years ended December 31, 2017 and 2016, respectively (Notes 20 and 24).

The details of the operating expenses arising from the investment property are as follows:

	<u>2017</u>	<u>2016</u>
<i>Expenses that generated rental income during the period</i>		
Depreciation (Notes 21 and 22)	P3,533,712	P2,762,900
Security and janitorial services	839,682	726,341
Repairs and maintenance	574,717	492,985
Power, light and water	279,500	158,270
Building insurance	166,577	134,494
	<u>5,394,188</u>	<u>4,274,990</u>
<i>Expenses that did not generate rental income during the period</i>		
Security and janitorial services	188,859	138,859
Repairs and maintenance	112,304	92,304
Power, light and water	60,576	52,576
Insurance	55,000	25,999
	<u>416,739</u>	<u>309,738</u>
	<u>P5,810,927</u>	<u>P4,584,728</u>

#### NOTE 13 - INTANGIBLE ASSETS

Intangible assets consist of costs incurred to develop a software used for the Organization's operations. The details of and movements of this account are as follows:

	<u>2017</u>	<u>2016</u>
<b>Cost</b>		
At January 1 and December 31	<u>P3,635,150</u>	<u>P3,635,150</u>
<b>Accumulated amortization</b>		
At January 1	727,030	363,515
Amortization (Notes 21 and 22)	<u>363,515</u>	<u>363,515</u>
At December 31	<u>1,090,545</u>	<u>727,030</u>
Net book value	<u><u>P2,544,605</u></u>	<u><u>P2,908,120</u></u>

There are no intangible assets pledged as security for the Organization's liabilities.

Management sees no conditions of impairment in the Organization's intangible asset and has not recognized any impairment in value.

#### NOTE 14 - REFUNDABLE DEPOSITS

Refundable deposits pertain to deposits made with Electronic Network Cash Tellers, Inc. (ENCASH) for the Automated Teller Machine installed at branches in Caramoran, San Andres, Irosin, Caramoan, Viga and Tagkawayan. The contract is for five (5) years starting 2010, and shall be renewed for another five (5) years. The contract requires the Organization to pay a one-time license fee for each ATM amounting to US\$1,500, together with the corresponding US\$300 annual license fees, and a refundable deposit amounting to P725,350 and P874,975 as at December 31, 2017 and 2016. These deposits will be refunded upon contract termination.

In 2015, the Organization did not renew the contract for the ATM installed in Viga and, thus, the refund was collected from ENCASH in 2016.

In 2017, the Organization opted not to renew the contract for the ATM installed in San Andres. The deposit pertaining to the contract was not yet collected as at December 31, 2017.

#### NOTE 15 - MEMBERS' DEPOSITS

This account pertains to members' contributions in the form of compulsory and voluntary savings, each earning annual interest of 5% to 7% for the years ended December 31, 2017 and 2016, respectively, computed based on the average daily balance. Compulsory savings are withdrawable upon termination of membership from the Organization and can be used to offset up to 90% of the members' outstanding loan balance. Voluntary deposits pertain to optional savings account of the members and are withdrawable anytime.

The details of this account are as follows:

	<u>2017</u>	<u>2016</u>
Compulsory	P450,325,808	P389,777,374
Voluntary	<u>115,701,479</u>	<u>92,784,296</u>
	<u>P566,027,287</u>	<u>P482,561,670</u>

Interest expense for the years ended December 31, 2017 and 2016 amounted to P26,183,596 and P20,831,371, respectively (Note 6).

#### NOTE 16 - ACCOUNTS AND OTHER PAYABLES

The details of this account are as follows:

	<u>2017</u>	<u>2016</u>
Accounts payable	P62,544,003	P44,770,909
Due to related parties (Note 23)	3,050,644	10,026,211
Government liabilities	2,960,596	3,049,936
Accrued expenses	2,868,218	1,574,068
Accrued interest payable	<u>1,351,406</u>	<u>2,588,718</u>
	<u>P72,774,867</u>	<u>P62,009,842</u>

Accounts payable includes the following: (a) liabilities to contractors, (b) liabilities to suppliers, (c) claims and (d) premiums and membership fees collected by the Organization from members, net of claims and administrative expenses to be remitted to PhilLife.

Due to related parties include the outstanding loan balances of deceased ABI members and former ABI employees already collected by the Organization but not yet remitted to ABI, unpaid hotel services of ACI provided to the Organization and unpaid security services of APSS provided to the Organization (Note 23).

#### NOTE 17 - DEFERRED INCOME FROM GOVERNMENT GRANTS

In 2003, Catanduanes Agricultural Support Programme (CatAg) transferred its assets to the Organization through a deed of donation for the purpose of continuing the banking needs of CatAg's target group in Catanduanes. The transfer was credited as deferred income from government grants and is to be amortized as income for a period of 25 years.

The details of and movements in this account are as follows:

	<u>2017</u>	<u>2016</u>
Cost	<u>P9,676,639</u>	<u>P9,676,639</u>
Accumulated amortization		
At January 1	5,032,030	4,644,966
Amortization (Note 20)	<u>388,908</u>	<u>387,064</u>
At December 31	<u>5,420,938</u>	<u>5,032,030</u>
Net book value	4,255,701	4,644,609
Current portion	<u>388,908</u>	<u>387,064</u>
Non-current portion	<u>P3,866,793</u>	<u>P4,257,545</u>

#### NOTE 18 - LOANS PAYABLE

The details of this account are as follows:

	<u>2017</u>	<u>2016</u>
Banking institutions	<u>P120,383,183</u>	<u>P116,243,444</u>
Other financial institutions	<u>85,073,318</u>	<u>297,299,330</u>
	<u>P205,456,501</u>	<u>P413,542,774</u>

The movements in the account are as follows:

	<u>2017</u>	<u>2016</u>
Balance at January 1	<u>P413,542,774</u>	569,968,021
Proceeds	136,443,360	437,607,241
Payments	<u>(344,529,633)</u>	<u>(594,032,488)</u>
Balance at December 31	<u>P205,456,501</u>	<u>P413,542,774</u>

Loans payable represents loan rediscounting facility availed from financial institutions with annual interest rates of 3.5% to 9% and 3.5% to 13% in 2017 and 2016, respectively.

The following table shows the breakdown of loans payable by contractual maturity dates:

	<u>2017</u>	<u>2016</u>
Due within one year	<u>P180,234,821</u>	<u>P294,529,633</u>
Due beyond 1 year but not more than 5 years	<u>25,221,680</u>	<u>119,013,141</u>
	<u>P205,456,501</u>	<u>P413,542,774</u>

Loans receivable amounting to P205,456,501 and P488,407,456 as at December 31, 2017 and 2016, respectively, has been pledged as collateral for said obligations (Note 8).

Interest expense on loans payable for the years ended December 31, 2017 and 2016 amounted to P14,604,989 and P29,751,218, respectively.

No other assets and restrictions are pledged in relation to the loans availed as at December 31, 2017 and 2016.

#### NOTE 19 - RETIREMENT BENEFITS

The Organization has a funded, non-contributory defined benefit plan covering all of its regular officers and employees. The plan provides for optional and normal retirement benefits, and death and disability benefits to its members. The normal retirement benefit is equivalent to 125% of plan salary for every year of credited service.

Actuarial Advisers, Inc., a SEC-registered firm of independent certified professional actuaries, made the latest actuarial valuation report as at December 31, 2017 based on the Projected Unit Credit Cost Method prescribed by PAS 19, as revised. The Organization obtains actuarial valuation report every two years except if any material transactions and other material changes in circumstances occur.

The retirement benefit liability recognized in the separate statements of financial position as at December 31 is as follows:

	<u>2017</u>	<u>2016</u>
Present value of defined benefit obligation (DBO) at December 31	P19,255,446	P16,737,189
Fair value of plan asset at December 31	<u>49,428,863</u>	<u>36,327,848</u>
Net retirement benefit asset at December 31	<u>(P30,173,417)</u>	<u>(P19,590,659)</u>

The movements in the net retirement benefit asset recognized in the statements of financial position are as follows:

	<u>2017</u>	<u>2016</u>
Retirement benefit asset at January 1	(P19,590,659)	(P9,014,339)
Transfer (to)/from a subsidiary	(1,866,938)	311,942
Amount recognized in profit or loss	2,128,998	2,515,015
Amount recognized in OCI - actuarial loss	3,975,091	-
Contributions	<u>(14,819,909)</u>	<u>(13,403,277)</u>
Retirement benefit asset at December 31	<u>(P30,173,417)</u>	<u>(P19,590,659)</u>

The changes in the present value of the DBO are as follows:

	<u>2017</u>	<u>2016</u>
Present value of DBO at January 1	P16,737,189	P13,910,232
Interest cost	840,207	-
Current service cost	3,112,449	2,515,015
Defined benefit cost recognized in profit or loss	<u>3,952,656</u>	<u>2,515,015</u>
Actuarial (gain) loss from:		
Changes in financial assumptions	(3,323,554)	-
Experience	1,903,801	-
Changes in demographic assumptions	-	-
Defined benefit cost recognized in OCI	<u>(1,419,753)</u>	-
Benefits paid	-	-
Transfer (to)/from a subsidiary	<u>(14,646)</u>	<u>311,942</u>
Present value of DBO at December 31	<u><u>P19,255,446</u></u>	<u><u>P16,737,189</u></u>

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

	<u>2017</u>	<u>2016</u>
Fair value of plan assets at January 1	P36,327,848	P22,924,571
Asset return in net interest cost recognized in profit or loss	1,823,658	-
Contributions	14,819,909	13,403,277
Remeasurement - plan assets recognized in OCI	(5,394,844)	-
Transfer from a subsidiary	<u>1,852,292</u>	-
Fair value of plan assets at December 31	<u><u>P49,428,863</u></u>	<u><u>P36,327,848</u></u>

There was no plan amendment, curtailment or settlement recognized in 2017 and 2016.

The defined benefit cost recognized in profit or loss is shown under operating expenses and general and administrative expenses.

The amount recognized in profit or loss is as follows:

	<u>2017</u>	<u>2016</u>
Current service cost	P3,112,449	P2,515,015
Net interest cost	<u>(983,451)</u>	-
	<u><u>P2,128,998</u></u>	<u><u>P2,515,015</u></u>

The amount recognized in OCI is as follows:

	<u>2017</u>	<u>2016</u>
Actuarial gain - DBO	P1,419,753	P-
Remeasurement - plan assets	<u>(5,394,844)</u>	<u>-</u>
	<u><u>(P3,975,091)</u></u>	<u><u>-</u></u>

The accumulated actuarial losses in OCI amounted to P21,914,415 and P17,939,324 in 2017 and 2016, respectively.

The principal actuarial assumptions used to determine the present value of the DBO of the Organization as at December 31 are as follows:

	<u>2017</u>	<u>2016</u>
Discount rate	5.70%	5.02%
Salary increase rate	5.00%	5.00%

The sensitivity of the DBO to changes in the principal actuarial assumptions as at December 31, 2017 and 2016 follows:

Principal assumptions	Increase (decrease) in assumption	Effect on retirement liability (in Philippine Peso)	
		<u>2017</u>	<u>2016</u>
Discount rate	0.50%	(P17,172,395)	(P1,841,143)
	-0.50%	21,638,593	2,107,324
Salary increase rate	1%	24,241,549	4,374,531
	-1%	(15,362,969)	(3,417,849)

## NOTE 20 - OTHER OPERATING INCOME

The details of the account are as follows:

	<u>2017</u>	<u>2016</u>
Share in Group Life Insurance Coverage (GLIC)	P10,845,357	P-
Share in Credit Group Life Insurance (CGLI)	5,752,026	3,623,895
Share in Loan Protect Plus (LPP)	3,697,021	-
Rental income (Notes 12 and 24)	1,430,000	1,383,000
Recovery of previously written off accounts (Note 8)	788,440	-
Service charges	658,153	785,764
Interest from deposits in banks (Notes 6 and 7)	517,891	353,766
Amortization of deferred income from government grants (Note 17)	388,908	387,064
Convenience charge	270,770	200,540
Interest on finance lease receivable (Notes 6 and 8)	33,307	200,810
Dividend income (Note 10)	-	3,982,975
Miscellaneous income	764,990	9,546,428
	<u>P25,146,863</u>	<u>P20,464,242</u>

The share in CGLI pertains to the Organization's 30% share in the CGLI premiums on loan releases. During the year, the Organization transferred all of its members' insurance coverage to PhiLife.

In 2017, the Organization extended new micro-insurance products to its members per loan releases, GLIC and LPP. The share in GLIC pertains to the 10% collection fee earned by the Organization. The share in LPP of the organization refers to the 10% share of the organization in the said premium during loan release.

Miscellaneous income pertains to passbook fee, ID fee, printing fee and overages.

## NOTE 21 - OPERATING EXPENSES

The details of the account are as follows:

	<u>2017</u>	<u>2016</u>
Salaries, wages and employee benefits	P167,115,631	P162,028,722
Client community services	19,669,363	11,059,307
Taxes and licenses	18,348,265	2,865,944
Transportation, fuel and oil	13,620,337	12,966,590
Rental (Note 24)	11,536,270	9,956,499
General support services	10,640,606	8,306,499
Stationeries and office supplies	8,262,739	6,834,529
Depreciation and amortization (Notes 11, 12 and 13)	6,343,341	5,772,256
Communication, light and water	5,935,142	5,114,967
Trainings, seminars and conferences	3,333,540	6,915,883
Insurance	3,310,528	3,586,234
Representation	1,610,858	422,509
Advertising	1,543,059	1,440,170
Retirement (Note 19)	1,490,299	1,760,511
Supervision and monitoring fees	1,350,331	1,157,876
Fines, penalties and dues	1,246,539	1,195,659
Information technology	1,224,466	112,319
Consultancy and professional fee	923,526	1,022,651
Documentary stamp tax	610,505	2,173,621
Repairs and maintenance	838,147	731,524
Organization charges	-	908,402
Research and development costs	340,288	413,264
Finance charges	118,927	-
Miscellaneous	8,185,325	3,178,079
	<u>P287,598,032</u>	<u>P249,924,015</u>

Miscellaneous expenses include various expenses incurred by the Organization's head office and other branches, deficiency taxes paid, and write-off of unidentified receivables.

## NOTE 22 - GENERAL AND ADMINISTRATIVE EXPENSES

The details of the account are as follows:

	<u>2017</u>	<u>2016</u>
Salaries, wages and employee benefits	P29,081,628	P34,807,960
Depreciation and amortization (Notes 11, 12 and 13)	9,423,482	10,541,857
Repairs and maintenance	4,195,411	1,027,713
General support services	2,749,671	1,140,455
Transportation, fuel and oil	2,296,881	1,157,239
Consultancy and professional fee	2,094,611	1,452,477
Communication, light and water	2,090,920	2,767,076
Charitable contributions	1,657,787	1,077,738
Insurance	1,398,867	1,430,750
Rental (Note 24)	1,129,318	1,088,972
Fines, penalties and dues	844,905	125,978
Advertising	661,311	617,074
Retirement (Note 19)	638,699	754,504
Information technology	524,771	48,136
Stationeries and office supplies	514,193	814,261
Representation	505,007	747,859
Finance charges	151,139	93,000
Miscellaneous	2,685,291	1,187,413
	<u>P62,643,892</u>	<u>P60,880,462</u>

Miscellaneous expenses include various expenses incurred by the Organization's head office and other branches.

## NOTE 23 - RELATED PARTY TRANSACTIONS

Transactions with related parties consist mainly of non-interest bearing cash advances to affiliates.

Due from ARDCIMBA arises from the Organization's cash transfer and payment of all expenses attributed to the operation of ARDCIMBA, acquisition of property, purchase of supplies, regular/special meetings of the BOTs of ARDCIMBA, collection fees and CGLI benefit claims (Note 8).

Due from ABI represents the receivable arising from expenses paid by the Organization on behalf of ABI (Note 8).

Due from ACI represents the receivable arising from expenses paid by the Organization on behalf of ACI (Note 8).

Due from APSS represents the receivable arising from expenses paid by the Organization on behalf of APSS (Note 8).

Due to ARDCIMBA represents unremitted membership fees, premiums and contributions collected from the members (Note 16).

Due to ABI represents the outstanding loan balances of deceased ABI members and former ABI employees already paid and received by the Organization but not yet remitted to ABI (Note 16).

Due to ARDCI Corporate Inn represents the unpaid hotel services provided to the Organization (Note 16).

Due to APSS represents the unpaid security services provided to the Organization (Note 16).

Key management is defined as those with position of area manager and above who are involved in the decision-making process of the Organization.

The amount of outstanding balances and the details of due to/from related parties, including their terms and conditions, security, nature of the consideration to be provided in settlement, and details of any guarantees given or received are as follows:

		2017					
Related party	Relationship/ category	Due from related parties	Due to related parties	Allowance for impairment	Terms and conditions	Security	Nature of the consideration to be provided in settlement
		(Note 8)	(Note 16)				
ARDCIMBA	Affiliate	P17,046,521	P9,933,673	P-	Non-interest	N/A	Cash
		882,258	-	-	bearing,		
	Payments	(1,271,914)	(9,933,673)		unsecured,		
	Provision for impairment losses	-	N/A	-	on demand		N/A
	Balance at December 31, 2017	P16,656,865	P-	P-			
ABI	Subsidiary	P430,120	P3,823	P-	Non-interest	N/A	Cash
		1,157,783	45,378	-	bearing,		
	Payments	(1,552,387)	(7,646)	-	unsecured,		
	Transfer of retirement liability (Note 19)	14,646	1,852,292	-	on demand		
	Provision for impairment losses	-	N/A	-			
	Balance at December 31, 2017	P50,162	P1,893,847	P-			

2017

Related party	Relationship/ category	Balance at January 1, 2017	Due from related parties (Note 8)	Due to related parties (Note 16)	Allowance for impairment	Terms and conditions	Security	Nature of the consideration to be provided in settlement	Guarantees given or received
ACI	Subsidiary	Balance at January 1, 2017	P925,460	P88,716	P-	Non-interest	N/A	Cash	N/A
		Hotel expenses	7,580,786	-	-	bearing,			
		Rent expense	720,000	-	-	unsecured,			
		Collections	(7,885,449)	-	-	on demand			
		Services rendered	-	2,473,105	-				
		Payments	-	(2,369,107)	-				
		Provision for impairment losses	-	N/A	-				
		Balance at December 31, 2017	P1,340,797	P192,714	P-				
APSS	Subsidiary	Balance at January 1, 2017	P-	P-	P-	Non-interest	N/A	Cash	N/A
		Advances	3,653,483	940,113	-				
		General and administrative expenses	761,114	-	-	bearing,			
		Services rendered	-	965,073	-	unsecured,			
		Payments	(3,153,471)	(941,103)	-	on demand			
		Provision for impairment losses	-	N/A	-				
		Balance at December 31, 2017	P1,261,126	P964,083	P-				
		Total	P19,308,950	P3,050,644	P-				

2016

Related party	Relationship/ category	Due from related parties (Note 8)	Due to related parties (Note 16)	Allowance for impairment	Terms and conditions	Security	Nature of the consideration to be provided in settlement	Guarantees given or received
ARDCIMBA	Affiliate	P16,522,474	P8,920,937	P223,253	Non-interest bearing, unsecured, on demand	N/A	Cash	N/A
	Balance at January 1, 2016							
	Cash transferred to ARDCIMBA	-	-	-				
	Assets transferred to ARDCIMBA	-	-	-				
	Operating expenses shouldered by the Organization	4,736,752	-	-				
	Pre-operating expenses paid in cash	-	-	-				
	Collection fees	-	-	-				
	CGLI claims	-	6,914,540	-				
	Unremitted members' contributions, dues and fees	-	3,019,133	-				
	Unremitted premiums	(4,212,705)	-	-				
	Provision for impairment losses	-	N/A	(223,253)				
	Balance at December 31, 2016	P17,046,521	P9,933,673	P-				
ABI	Subsidiary	P1,200,830	P261,472	P-	Non-interest bearing, unsecured, on demand	N/A	Cash	N/A
	Balance at January 1, 2016							
	General and administrative expenses	(458,768)	(257,649)	-				
	Payments	-	-	-				
	Transfer of retirement liability (Note 19)	(311,942)	-	-				
	Unremitted collection	-	-	-				
	Provision for impairment losses	-	N/A	-				
	Balance at December 31, 2016	P430,120	P3,823	P-				



## NOTE 24 - CONTINGENCIES AND COMMITMENTS

### Legal cases

The Organization is involved in cases that arise in the normal course of business. The management believes that the outcome of the cases will not materially affect the financial condition and performance of the Organization.

### Leases

#### *As a lessee*

The Organization leases most of its program and field offices for a period of one year, renewable upon mutual agreement of the parties.

The future minimum lease payments as at December 31 are as follows:

Period	Amount	
	2017	2016
Not later than one year	P3,156,776	P9,956,500
Later than one year but not later than five years	-	3,553,213

Total rent expense recognized in profit or loss for the years ended December 31, 2017 and 2016 amounted to P12,665,588 and P11,045,471, respectively (Notes 21 and 22).

#### *As a lessor*

Certain floors of the Organization's new corporate building are being leased out to its subsidiaries and affiliate under operating lease. Details are as follows:

In 2013, ABI transferred its office from Bato, Catanduanes to Virac, Catanduanes. Its new office is located at the ground floor of the Organization's new corporate building. ABI leases its new office from the Organization at the rate of P30,000 per month for a period of ten (10) years, which commenced in December 2013 and will end in November 2023.

ARDCI Corporate Inn started its operations on October 2013. Its registered office and business of operations is located at the Organization's new corporate building. ARDCI Corporate Inn occupies the ARDCI Corporate Building's fourth (4th) floor to seventh (7th) floor which include the view deck and are being leased from the Organization at a total rate of P60,000 per month for a period of ten (10) years, which commenced in November 2013 and will end in October 2023.

ARDCIMBA transferred its office to the second (2nd) floor of the Organization's new corporate building. ARDCIMBA's new office is being leased from the Organization at the rate of P30,000 per month for a period of ten (10) years, which commenced in January 2014 and will end in December 2023. On October 2017, ARDCIMBA decided to shorten its lease contract with the Organization.

APSS started its operations on August 2017. The registered office address of APSS is located at 2/F, ARDCI Corporate Building, San Roque, Virac, Catanduanes. APSS leases its office at the rate of P10,000 per month for a period of ten (10) years, which commenced in April 2017 and will end in May 2027.

The future minimum lease payments receivable as at December 31 are as follows:

Period	Amount	
	2017	2016
Not later than one year	P1,800,000	P1,440,000
Later than one year but not later than five years	4,800,000	5,760,000
Later than five years	1,460,000	2,880,000

Rental income recognized for the years ended December 31, 2017 and 2016 amounted to P1,430,000 and P1,383,000, respectively (Notes 12 and 20).

#### NOTE 25 - INCOME TAXES

The Organization, being a non-stock, not-for-profit organization operating for social welfare purposes, is exempt from income tax pursuant to Section 30 (e) of the National Internal Revenue Code of 1997. However, income derived from whatever kind and character from any of their properties, real or personal, or from any of their activities conducted for profit, is subject to the regular income tax.

The Organization was granted a Certificate of Tax Exemption on July 24, 2002 pursuant to RA No. 8425, otherwise known as the *Social Reform and Poverty Alleviation Act*. On September 17, 2010, the Organization made amendments to its Articles of Incorporation including the change in corporate name. As a result, the Organization was required by the Bureau of Internal Revenue (BIR) to secure another Certificate of Tax Exemption. The Organization has been in compliance with the submission of requirements to secure the Certificate of Tax Exemption. The request for the new certificate, however, is still pending as of the date of the approval of the financial statements.

During the year, the Organization became liable for taxes arising from its income and gains on transactions outside the allowed activities of an entity registered under the Social Reform and Poverty Alleviation Act.

- Provision for income tax consists of current tax expense amounting to P759,034 and P4,838,250 for the years ended December 31, 2017 and 2016.
- The reconciliation of the provision for income tax computed at statutory income tax rate and the provision for income tax at the effective rate in the separate statements of comprehensive income follows:

	2017	2016
Income before income tax	<u>P241,488,943</u>	<u>P292,005,209</u>
Income tax expense at statutory rate at 30%	72,446,683	87,601,563
Add (deduct) tax effect of:		
Non-taxable income	(219,262,344)	(198,388,665)
Non-deductible expenses	147,730,062	116,926,375
Income subject to final tax	<u>(155,367)</u>	<u>(1,301,023)</u>
	<u>P759,034</u>	<u>P4,838,250</u>

c. Movements in income tax payable follows:

	<u>2017</u>	<u>2016</u>
At January 1	P1,211,856	P1,153,793
Charged to profit or loss	759,034	4,838,250
Income tax paid	(1,752,967)	(4,708,187)
Prepaid tax - creditable	<u>(71,500)</u>	<u>(72,000)</u>
At December 31	<u><u>P146,423</u></u>	<u><u>P1,211,856</u></u>

The Organization has not recognized deferred tax asset from its actuarial loss on retirement liability amounting to P1,192,527 and nil as at December 31, 2017 and 2016.

Deferred tax assets arising from other temporary differences were not recognized because the management believes there are no future benefits that will be derived from these temporary differences since the Organization's primary activities are exempt from income tax.

**NOTE 26 - SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE**

Presented below is the supplementary information which is required by the BIR under its existing Revenue Regulations (RR) to be disclosed as part of the notes to financial statements in addition to the disclosures mandated under PFRSs.

**A. REVENUE REGULATIONS (RR) NO. 15-2010**

In compliance with the requirements of RR No. 15-2010 issued on November 25, 2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year ended December 31, 2017:

**1. Taxes and licenses**

Permits and licenses	<u><u>P4,083,092</u></u>
----------------------	--------------------------

**2. Withholding taxes**

The amount of withholding taxes paid/accrued for the year follows:

a. Taxes on compensation and benefits	P7,939,436
b. Expanded withholding taxes	285,715
c. Percentage tax	<u>14,265,173</u>
	<u><u>P22,490,324</u></u>

**3. Tax cases/assessments**

On July 24, 2014, the Organization received a Preliminary Assessment Notice from the BIR Revenue Region No. 10 Legazpi City, Albay ascertaining that the Organization is still liable for the total amount P40,663,852, inclusive of legal increments. On September 17, 2014, the Organization received a Formal Letter of Demand from the BIR Revenue Region No. 10 Legazpi City, Albay ascertaining that the total tax still due amounts to P41,460,662, inclusive of legal increments.

On October 24, 2014, the Organization sent a Request for Reconsideration and Reinvestigation to BIR's Formal Letter of Demand and received by the BIR Revenue Region No. 10 Legazpi City, Albay on October 29, 2014.

On September 24, 2015, the Organization paid deficiency tax on expanded withholding tax amounting to P324,719 and the corresponding surcharge and interest of P81,180 and P467,408, respectively.

On February 5, 2018, the Organization received the Notice of Decision for the alleged deficiency taxes for taxable year 2010, including interests and penalties, in the total amount of P41,460,662.

**B. REVENUE REGULATIONS NO. 19-2011**

RR No. 19-2011 issued on December 9, 2011 requires the disclosure of the schedules of taxable revenues, cost of sales/services, non-operating and taxable other income, itemized deductions, taxes and licenses and other significant tax information in the notes to financial statements. The Organization's transactions are a mix of exempt and subject to regular tax rate. It does not have transactions subject to special rate.

The following are the required schedules in compliance with the aforesaid revenue issuances:

**1. Revenue**

	Exempt	Special rate	Regular rate
Interest income on loans and receivables	P708,775,620	P-	P-

**2. Cost of services**

	Exempt	Special rate	Regular rate
Salaries, wages and benefits	P167,115,631	P-	P-
Rental	11,536,270	-	-
Materials, supplies and facilities	8,262,739	-	-
Depreciation	6,343,341	-	-
Others	142,765,737	-	-
	<b>P336,023,718</b>	<b>P-</b>	<b>P-</b>

### 3. Other operating income

	Exempt	Special rate	Regular rate
Share in Group Life Insurance Coverage (GLIC)	P10,845,357	P-	P-
Share in Credit Group Life Insurance (CGLI)	5,752,026	-	-
Share in Loan Protect Plus	3,697,021	-	-
Rental income (Note 12 and 23)	-	-	1,430,000
Service charges	658,153	-	-
Amortization of deferred income from government grants	-	-	388,908
Convenience charge	-	-	270,770
Interest on finance lease receivable (Note 8)	-	-	33,307
Miscellaneous income	357,861	-	407,129
	<u>P21,310,418</u>	P-	<u>P2,530,114</u>

Details and reconciliation of the difference between the other operating income presented in Note 20 and the other operating income for tax purposes are as follows:

Other operating income	P25,146,863
Recovery of previously written off accounts	(788,440)
Interest from deposit in banks (Note 7)	(517,891)
	<u>P23,840,532</u>

#### 4. Itemized deductions

	<u>Exempt</u>	<u>Special rate</u>	<u>Taxable</u>
Salaries and allowances	27,661,909	-	-
Depreciation	9,423,482	-	-
Repairs and maintenance	4,195,411	-	-
Janitorial and messengerial services	2,749,671	-	-
Fuel and oil	2,296,881	-	-
Management and consultancy fee	2,094,611	-	-
Communication, light and water	2,090,920	-	-
Charitable contribution	1,657,787	-	-
wSSS, GSIS, Philhealth, HDMF and other contributions	1,419,719	-	-
Insurance	1,398,867	-	-
Rental	1,129,318	-	-
Advertising and promotions	661,311	-	-
Office supplies	514,193	-	-
Representation and entertainment	505,007	-	-
Miscellaneous	2,685,291	-	-
Others		-	-
Retirement contribution	4,445,970	-	-
Information technology	524,771	-	-
Finance charges	151,139	-	-
	<u>P65,606,258</u>	<u>P-</u>	<u>P-</u>

Details and reconciliation of the difference between the general and administrative expenses presented in Note 22 and the itemized deductions for tax purposes are as follows:

General and administrative expense	P62,643,892
Fines, penalties and other charges	(844,905)
Retirement expense	(638,699)
Contributions to retirement	4,445,970
	<u>P65,606,258</u>

## INDEPENDENT AUDITORS' SUPPLEMENTAL SCHEDULES

The Members and the Board of Trustees  
ARDCI Microfinance, Incorporated  
(formerly ARDCI NGO Group, Inc.)  
(A Non-stock, Non-profit Organization)  
3rd Floor, ARDCI Corporate Building  
San Roque, Virac, Catanduanes

We have audited, in accordance with Philippine Standards on Auditing (PSAs), the separate financial statements of the ARDCI Microfinance Incorporated (formerly ARDCI NGO Group, Inc.) (A Non-stock, Non-profit Organization) (the "Organization") as at and for the year ended December 31, 2017 and have issued our report thereon dated April 13, 2018. Our audit was conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The schedules listed in the Index to the Separate Financial Statements and Supplementary Schedules are presented for the purposes of complying with the Securities Regulation Code (SRC) Rule 68, As Amended, and the Securities and Exchange Commission (SEC) Memorandum Circular No. 4, Series of 2013, and are not part of the basic separate financial statements. Such schedules are the responsibility of the management. The schedules have been subjected to the auditing procedures applied in our audit for the basic separate financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic separate financial statements taken as a whole.

**ROXAS CRUZ TAGLE AND CO.**  
(formerly Alba Romeo & Co.)



Leticia C. Tagle  
Partner

CPA Certificate No. 0017358

Tax Identification No. 123-048-280

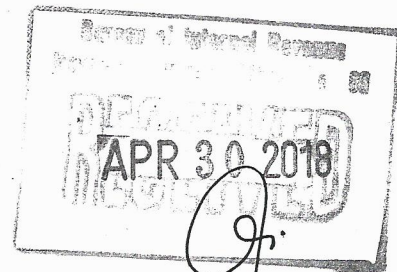
PTR No. 6643556, issued on January 17, 2018, Makati City

BOA/PRC Registration No. 0005, issued on December 1, 2015,  
effective until December 31, 2018

SEC Accreditation No. 1583-A (Individual), Group A, issued on September 6, 2016,  
effective until September 6, 2019

SEC Accreditation No. 0007-FR-4 (Firm), Group A, issued on July 16, 2015,  
effective until July 15, 2018

BIR Accreditation No. 08-001682-6-2018, issued on January 26, 2018,  
effective until January 25, 2021

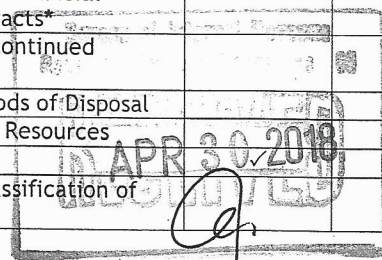


Makati City  
April 13, 2018

**ARDCI Microfinance, Incorporated**  
(formerly ARDCI NGO Group, Inc.)]

**Schedule of Standards and Interpretations**  
December 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of December 31, 2017				
Framework for the Preparation and Presentation of Financial Statements				
Conceptual Framework Phase A : Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
<b>Philippine Financial Reporting Standards</b>				
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			✓
	Amendments 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			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendments to PFRS 1: Meaning of Effective PFRSs			✓
	Amendments to PFRS 1: Deletion of short-term exemptions for first-time adopters*			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendment to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Share-based Payment - Definition of Vesting Condition			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions*			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts*			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal			✓
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			✓

APR 30 2018  


PHILLIPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of December 31, 2017				
	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			✓
	Amendments to PFRS 7: Disclosures - Servicing Contracts			✓
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments			✓
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 9 (2014)	Financial Instruments*		✓	
	Hedge Accounting and Amendments to PFRS 9, PFRS 7 and PAS 39*		✓	
	Amendments to PFRS 9: Prepayment Features with Negative Compensation***		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Consolidation for Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**	Original effective date has been deferred/postponed		
	Amendments to PFRS 10, PFRS 12, and PAS 28: Application of the Consolidation Exception	✓		
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Investment Entities			✓
	Amendments to PFRS 11: Accounting for Acquisitions of an Interest in a Joint Operation			✓
PFRS 12	Disclosure of Interest in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 28: Application of the Consolidation Exception	✓		
	Amendments to PFRS 12: Clarification of the Scope of the Standard	✓		
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables			✓
	Amendment to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers*			✓
	Amendments PFRS 15: Clarifications to PFRS 15*			✓
PFRS 16	Leases*		✓	
<b>Philippine Accounting Standards</b>				
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	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of December 31, 2017				
	Amendments to PAS 1: Clarification of the Requirements for Comparative Information	✓		
	Amendments to PAS 1, Disclosure initiative	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Employee Contributions	✓		
	Amendment to PAS 19: Discount Rate: Regional Market Issue	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	✓		
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment to PAS 21: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**	Original effective date has been deferred/postponed		
	Amendments to PFRS 10, PFRS 12, and PAS 28: Application of the Consolidation Exception			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value*			✓

PHILLIPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of December 31, 2017				
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures***			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets and Financial Liabilities	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38 : Revaluation Method - Proportionate Restatement Of Accumulated Amortization	✓		
	Amendments to PAS 16 and 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to IFRIC 9 and PAS 39: Embedded Derivatives			✓
	Amendments to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting			✓
	Amendments to PAS 39: Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property	✓		
	Amendments to PAS 40: Transfers of Investment Property*	✓		
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓

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 Interest 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 Hyper Inflationary 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 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 IFRIC 14: Prepayments of a Minimum Funding Requirements			✓
IFRIC 15	Agreements for the Construction of Real Estate**	Original effective date has been deferred/postponed		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of a Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Assets			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Considerations***			✓
IFRIC 23	Uncertainty Over Income Tax Treatments***		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue—Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets—Web Site Costs			✓

\*Standards and interpretations whose mandatory adoption date is after December 31, 2016.

\*\*Standards and interpretations whose original effective date has been deferred/postponed by FRSC.

\*\*\*Standards and interpretations adopted by FRSC and is subject for approval by the Board of Accountancy

# COVER SHEET

## for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

I 1 9 9 8 - 0 0 2 7 7

### COMPANY NAME

A R D C I M I C R O F I N A N C E ,  
I N C O R P O R A T E D ( A N o n - s t o c k ,  
N o n - p r o f i t O r g a n i z a t i o n )

### PRINCIPAL OFFICE ( No./Street/Barangay/City/Town/Province)

S A N R O Q U E , V I R A C , C A T A N D U A N E S

Form Type

S S C E P

Department requiring the report

M R D

Secondary License Type, If Applicable

### COMPANY INFORMATION

Company's Email Address

ardci\_oceo@yahoo.com

Company's Telephone Number/s

N/A

Mobile Number

+639178073463

No. of Stockholders

N/A

Annual Meeting (Month / Day)

3RD TUESDAY OF APRIL

Fiscal Year (Month / Day)

December 31

### CONTACT PERSON INFORMATION

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

Name of Contact Person

MS. EVELYN T. TEVES

Email Address

tevesevelyn@yahoo.com

Telephone Number/s

N/A

Mobile Number

+639178073463

### CONTACT PERSON'S ADDRESS

CAVINITAN, VIRAC, CATANDUANES

**NOTE 1 :** 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 within information and complete contact details of the new contact person designated.

**2 :** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

**ARDCI**  
MICROFINANCE

**ARDCI MICROFINANCE, INCORPORATED**

(Formerly: ARDCI NGO Group, Incorporated)

SEC Registration No. 11998-00277

3/f ARDCI Corporate Bldg., San Roque, Virac, Catanduanes 4800

Mobile no. 09178073463 visit us @www.ardci.org.ph

**RECEIPTS**

Interest income	P708,775,620
Other operating income	25,146,863
<b>TOTAL RECEIPTS</b>	<b>733,922,483</b>

**DISBURSEMENTS**

Cost of services

Interest expense	40,788,585
Salaries, wages and employee benefits	167,115,631
Client community services	19,669,363
Taxes and licenses	18,348,265
Transportation, fuel and oil	13,620,337
Rental	11,536,270
General support services	10,640,606
Stationeries and office supplies	8,262,739
Communication, light and water	5,935,142
Trainings, seminars and conferences	3,333,540
Insurance	3,310,528
Representation	1,610,858
Advertising	1,543,059
Retirement	1,490,299
Supervision and monitoring fees	1,350,331
Fines, penalties and dues	1,246,539
Information technology	1,224,466
Consultancy and professional fee	923,526
Documentary stamp tax	610,505
Repairs and maintenance	838,147
Research and development costs	340,288
Finance charges	118,927
Miscellaneous	8,185,325
	<b>322,043,276</b>

General and administrative expenses

Salaries, wages and employee benefits	29,081,628
Repairs and maintenance	4,195,411
General support services	2,749,671
Transportation, fuel and oil	2,296,881
Consultancy and professional fee	2,094,611
Communication, light and water	2,090,920
Charitable contribution	1,657,787
Insurance	1,398,867
Rental	1,129,318



Fines, penalties and dues	844,905
Advertising	661,311
Retirement	638,699
Information technology	524,771
Stationery and office supplies	514,193
Representation	505,007
Finance charges	151,139
Miscellaneous	2,685,291
	<u>53,220,410</u>

**NON-CASH DISBURSEMENTS**

Provision for credit losses	101,403,031
Depreciation	15,766,823
	<u>117,169,854</u>

**TOTAL DISBURSEMENTS**

492,433,540

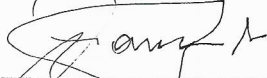
**EXCESS OF RECEIPTS OVER DISBURSEMENTS**

P241,488,943

We, BENJAMIN B. COMPLETEO, BOT President of ARDCI MICROFINANCE, INCORPORATED (formerly ARDCI NGO Group, Incorporated), Filipino, of legal age, married and presently holding office at ARDCI CORPORATE Bldg., San Roque, Virac, Catanduanes; AND

EVELYN T. TEVES, Treasurer of ARDCI MICROFINANCE, INCORPORATED (formerly ARDCI NGO Group, Incorporated), Filipino, of legal age, married and presently holding office at ARDCI CORPORATE Bldg., San Roque, Virac, Catanduanes,

after having been duly sworn to in accordance with law, do hereby certify that the above are true and correct.



BENJAMIN B. COMPLETEO  
President, BOT



EVELYN T. TEVES  
Treasurer

SUBSCRIBED AND SWORN to before me this 17<sup>th</sup> April 2018 for and in Virac Catanduanes, affiants exhibiting to me his/her Taxpayer's Identification Card as follows:

Name	TIN	Place of Issue
BENJAMIN B. COMPLETEO	948419153	Virac, Catanduanes
EVELYN T. TEVES	102977872	Las Piñas, Metro Manila

*Rizalina M. Velasco-Tañon*  
RIZALINA M. VELASCO-TAÑON  
Notary Public

Commission Expires on Dec. 31, 2018

210 Gogon Tlad, Virac Catanduanes

PTR No. 9523543/ Jan. 18, 2017 Virac, Catanduanes

IBP Lifetime No. 016324

MCLE Compliance No. V-0007571 May 15, 2015

Roll No. 36845

Doc. No. 334  
Page No. III  
Book No. II  
Series of 2018

NOTARIZED CERTIFICATION

We, BENJAMIN B. COMPLETO, BOT President of ARDCI MICROFINANCE, INCORPORATED (*formerly ARDCI NGO Group, Incorporated*), Filipino, of legal age, married and presently holding office at ARDCI Corporate Bldg., San Roque, Virac, Catanduanes;

AND

EVELYN T. TEVES, Treasurer of ARDCI MICROFINANCE, INCORPORATED (*formerly ARDCI NGO Group, Incorporated*), Filipino, of legal age, married and presently holding office at ARDCI Corporate Bldg., San Roque, Virac, Catanduanes;

after having been duly sworn to in accordance with law, do hereby certify that the following are true and correct:

1) SCHEDULE OF RECEIPTS OR INCOME OTHER THAN CONTRIBUTIONS AND DONATIONS

Source	Unrestricted	Restricted		Total
		Permanent	Temporary	
<i>ActionAid:</i>				
Global Agriculture and Food Security Program (GAFSP) Grant	-	-	-	-
<i>Catholic Relief Services:</i>				
Fair Trade Program Grant	-	-	-	-
<i>International Monetary Fund:</i>				
Civic Program Grant	-	-	-	-
<i>Lannan Foundation:</i>				
Literary Program Grant	-	-	-	-
<i>Philippine Charity Sweepstakes Office (PCSO):</i>				
Endowment Program Grant	-	-	-	-
<i>Rockefeller Brothers Fund:</i>				
Charles E. Culpeper Arts and Culture Grants Program	-	-	-	-
<i>The Henry Smith Charity:</i>				
Medical Research Grant	-	-	-	-
<i>US Environmental Protection Agency:</i>				
Community Action for a Renewed Environment (CARE) Grant	-	-	-	-
<i>Worldbank:</i>				
Global Development Marketplace Grant	-	-	-	-
Social Development Civil Society Fund	-	-	-	-
The Education Service Contracting (ESC) Program Grant	-	-	-	-
<i>Donations of P1,001 to 10,000</i>	-	-	-	-
<i>Donations of P1,000 or less</i>	-	-	-	-
<b>Total</b>	-	-	-	-






5) SUPPORTING DOCUMENTS TO THE ABOVE INFORMATION

Activity/Program/Project	Document Ref.	Certification
n/a	n/a	n/a

This affidavit is executed in compliance with the requirements of the Securities Regulation Code (SRC) Rule 68, As Amended, Part I, par. 4(B).

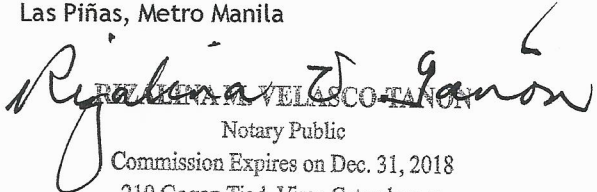
IN WITNESS WHEREOF, we have hereunto set our hands this \_\_\_\_ day of \_\_\_\_\_ 2018 in Virac, Catanduanes, Philippines.

  
**BENJAMIN B. COMPLETO**  
 President, BOT  
 Affiant

  
**EVELYN T. TEVES**  
 Treasurer  
 Affiant

SUBSCRIBED AND SWORN to before me this 17 day of April 2018 for and in Virac Catanduanes, affiants exhibiting to me his/her Taxpayer's Identification No. as follows:

<b>Name</b>	<b>TIN</b>	<b>Place of Issue</b>
BENJAMIN B. COMPLETO	948-419-153	Virac, Catanduanes
EVELYN T. TEVES	102-977-872	Las Piñas, Metro Manila

  
**REYNALDO VELASCO TANON**  
 Notary Public  
 Commission Expires on Dec. 31, 2018  
 210 Gogon Tiad, Virac Catanduanes  
 PTR No. 9523543/ Jan. 18, 2017 Virac, Catanduanes  
 IBP Lifetime No. 016324  
 MCLE Compliance No. V-0007571 May 15, 2015  
 Roll No. 36845

Doc. No. 555  
 Page No. 11  
 Book No. II  
 Series of 2018


<b>Name of Foundation/Organization</b> AEDCI MICROFINANCE, INCORPORATED	<b>SEC Registration No.</b> I1998-00277
<b>For the year ended</b> DECEMBER 31, 2017	

**Part II Noncash Property**

(a) No. from Part I	(b) Description of noncash property given	(c) Fair Market Value (or estimate)	(d) Date received
1	N/A	P N/A	N/A
2		P	
3		P	
4		P	
5		P	
6		P	
7		P	
8		P	
9		P	
10		P	

Signed under oath by the following:

Signature   
Printed Name of President BENJAMIN B. COMPTON

Signature   
Printed Name of Treasurer EVELYN T. TEVES

Signed this \_\_\_\_ day of \_\_\_\_\_