

SGV & Co

**CENTER FOR AGRICULTURE
AND RURAL DEVELOPMENT, INC.**
(A NONSTOCK, NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997

SGV & Co

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

SyCip Gorres Velayo & Co
An Arthur Andersen Member Firm

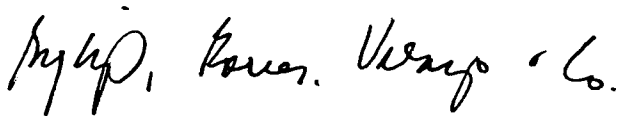
The Board of Trustees
Center for Agriculture and Rural Development, Inc.

6760 Ayala Avenue
1226 Makati City Philippines
632 891 0307
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We have audited the accompanying statements of assets, liabilities and fund balance of Center for Agriculture and Rural Development, Inc. (a nonstock, nonprofit organization) as of December 31, 1998 and 1997 and the related statements of revenues, expenses and changes in fund balance for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balance of Center for Agriculture and Rural Development, Inc. as of December 31, 1998 and 1997 and its revenues, expenses and changes in fund balance for the years then ended in conformity with generally accepted accounting principles.



PTR No. 0456939
January 12, 1999
Makati City

April 9, 1999

CENTER FOR AGRICULTURE AND RURAL DEVELOPMENT, INC.
(A Nonstock, Nonprofit Organization)

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

	December 31	
	1998	1997
ASSETS		
Current Assets		
Cash	₱5,706,916	₱10,457,774
Loans receivable (Note 3)	42,992,002	33,087,934
Other receivables	1,658,424	5,326,382
Prepaid supplies	198,288	457,299
Total Current Assets	50,555,630	49,329,389
Investment in Shares of Stocks (Note 4)	15,395,240	5,125,539
Property and Equipment - net (Note 5)	14,675,110	4,545,489
	₱80,625,980	₱59,000,417
LIABILITIES AND FUND BALANCE		
Accounts payable	₱294,656	₱191,566
Current portion of long-term debt (Note 6)	10,029,113	19,787,340
Total Current Liabilities	10,323,769	19,978,906
Long-Term Debt - net of current portion (Note 6)	12,633,819	9,644,918
Due to Staffs and Members	16,217,481	14,458,803
Fund Balance	41,450,911	14,917,790
	₱80,625,980	₱59,000,417

See accompanying Notes to Financial Statements

CENTER FOR AGRICULTURE AND RURAL DEVELOPMENT, INC.
(A Nonstock, Nonprofit Organization)

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCE**

	Years Ended December 31	
	1998	1997
REVENUES		
Administrative income	₱15,612,732	₱10,637,554
Grants	27,055,068	4,896,456
Other income	6,075,826	3,972,306
	48,743,626	19,506,316
EXPENSES		
Salaries, wages and employee benefits (Note 7)	10,185,180	7,338,176
Administrative and other expenses	12,025,325	5,557,479
	22,210,505	12,895,655
EXCESS OF REVENUES OVER EXPENSES	26,533,121	6,610,661
FUND BALANCE AT BEGINNING OF YEAR	14,917,790	8,307,129
FUND BALANCE AT END OF YEAR	₱41,450,911	₱14,917,790

See accompanying Notes to Financial Statements

CENTER FOR AGRICULTURE AND RURAL DEVELOPMENT, INC.
(A Nonstock, Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS

1. Organization

The Association is devoted in undertaking, directly financing and assisting research and development work and/or economic evaluation for the development and improvement of the quality of life of people in underdeveloped and depressed areas.

2. Significant Accounting Policies

Revenue Recognition

Grants are recorded only upon actual receipt by the Association.

Investment in Shares of Stock

The association carries its investment in shares of stock of a subsidiary at cost, increased or decreased by its equity in net earnings of the subsidiary since date of acquisition.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is computed on a straight-line method over the estimated useful lives of the assets.

The cost of repairs and maintenance is charged to income as incurred; significant renewals and improvements are capitalized. When assets are retired as otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to operations.

Retirement Benefits Plan

The Company's retirement expense is determined using the projected unit credit cost method. The unrecognized pension liability and subsequent past service costs, experience adjustments, and the effects of changes in actuarial assumptions are amortized over the expected remaining working lives of the employees.

3. Loans Receivable

This represents members' outstanding loan balances for their income generating projects, calamity and/or housing improvements.

4. Investment in Shares of Stock

Details of the investments in CARD Rural Bank Inc., a wholly owned subsidiary follow:

	1998	1997
Acquisition cost:		
Balance at beginning of year	₱5,000,000	₱5,000,000
Additions during the year	10,000,000	–
Balance at end of year	15,000,000	5,000,000
Accumulated equity in net earnings:		
Balance at beginning of year	125,539	–
Equity in net earnings of a subsidiary	269,701	125,539
Balance at end of year	395,240	125,539
	₱15,395,240	₱5,125,539

5. Property and Equipment

This account consists of:

	1998	1997
Land	₱7,834,940	₱1,493,727
Building and improvements	2,086,814	2,133,457
Furniture and equipment	1,997,895	1,399,659
Transportation equipment	4,857,927	1,049,142
Work animals	10,000	40,000
	16,787,576	6,115,985
Less accumulated depreciation	2,112,466	1,570,496
	₱14,675,110	₱4,545,489

6. Long-Term Debt

This account represents interest and non-interest bearing loans obtained from collaborating agencies and are payable in various quarterly installments until year 2003. Interest rates range from 2% to 12%. These loans are collateralized by a chattel mortgages and non-negotiable promissory notes.

The installments due within one year are shown under current portion of long-term debt account in the statement of assets, liabilities and fund balance.

7. Retirement Benefit Plan

The Company has an unfunded, noncontributory defined benefit retirement plan covering all of its employees. Total retirement expense amounted to ₱343,789 in 1998 and ₱433,614 in 1997.

As of January 1, 1999, the latest actuarial valuation, the valuation of retirement benefits amounted to ₱1,293,056 and ₱433,614 in 1998 and 1997, respectively. The principal actuarial assumptions used to determine retirement benefits were a salary increase of 12% and a return on plan assets of 12%. Actuarial valuations are made at least every two years.