COVER SHEET

For

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

2 0 0 5 0 8 6 1 7

COMPANY NAME

TSPI MUTUAL BENEFIT ASSOCIATION, INC. (A Nonstock, Nonprofit Organization)

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

3rd Floor, TSPI Building 2363 Antipolo St. Guadalupe Nuevo, Makati City

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

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
NA	632- 4038619	NA

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
NA		December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Nelia Nayve	nanayve@tspi.org	632- 4038619	NA

CONTACT PERSON's ADDRESS

3rd Floor, TSPI Building, 2363 Antipolo St. Guadalupe Nuevo, Makati City.

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 with 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.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **TSPI MUTUAL BENEFIT ASSOCIATION, INC.** (the "Association"), is responsible for the preparation and fair presentation of the financial statements as at and for the years ended December 31, 2015 and 2014, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Trustees reviews and approves the financial statements and submits the same to the members.

R.G. Manabat & Co., the independent auditors appointed by the members, has audited the financial statements of the Association in accordance with Philippine Standards on Auditing, and in its report to the members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature ____________________
MA. LUZ A. PLANAS – Chairman of the Board

Signature ____________________
FLORENCIA G. TARRIELA – Treasurer

Signature ____________________
EDUARDO A. MENDOZA – President & CEO

Signature ____________________
NELIA A. NAYVE – Deputy Director – Finance & Admin

Signed this 11th day of April 2016

SUBSCRIBED AND SWORN TO BEFORE ME this APR 1 3 2016, at MAKATI CITY, affiants exhibiting the following:

MA. LUZ A. PLANAS	-	SSS ID #03-1349190-8
FLORENCIA G. TARRIELA	-	Passport #EB6620757 Manila 23 Oct 2012 to 22 Oct 2017
EDUARDO A. MENDOZA	-	Passport #EC5036718 DFA NCR East 15 Aug 2015 to 14 Aug 2020
NELIA A. NAYVE	-	Passport #EC0997445 Manila 05 May 2014 to 04 May 2019

Notary Public

ATTY. JUANCHO DAVID R. TABLANG
Notary Public for Makati City
Commission No. M-70 until December 31, 2016
PTR No. 5413445: 03/07/2016 / Makati City
IBP No. 0981941 : 1/05/2015 / Makati City
Roll of Attorney No. 42002
MCLE Compliance No. IV-0023768
2016 Magsaysay St.,
Brgy. Guadalupe Nuevo, Makati City

Doc. No. 130;
Page No. 26;
Book No. CXXXIII;
Series of 2016.

TSPI MUTUAL BENEFIT ASSOCIATION, INC.
(A Nonstock, Nonprofit Organization)

FINANCIAL STATEMENTS
December 31, 2015 and 2014

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The KPMG Center, 9/F
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Makati City 1226, Metro Manila, Philippines

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REPORT OF INDEPENDENT AUDITORS

The Board of Trustees and Members
TSPI Mutual Benefit Association, Inc.
3rd Floor, TSPI Building, 2363 Antipolo St.
Guadalupe Nuevo, Makati City

Report on the Financial Statements

We have audited the accompanying financial statements of TSPI Mutual Benefit Association, Inc. (a nonstock, nonprofit organization), which comprise the statements of assets, liabilities and fund balance as at December 31, 2015 and 2014, and the statements of comprehensive income, statements of changes in fund balance and statements of cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

KPMG

Opinion

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

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 22 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Dennis I. Ilan

DENNIS I. ILAN
Partner
CPA License No. 089564
IC Accreditation No. SP-2014/023-R, Group A, valid until August 26, 2017
SEC Accreditation No. 1182-AR-1, Group A, valid until April 30, 2018
Tax Identification No. 161-313-405
BIR Accreditation No. 08-001987-28-2014
Issued September 26, 2014; valid until September 25, 2017
PTR No. 5320748MD
Issued January 4, 2016 at Makati City

April 1, 2016
Makati City, Metro Manila

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8 - MAKATI
REVENUE DISTRICT OFFICE NO. 50
SOUTH MAKATI
RECEIVED
DATE: 13 APR 2016

TSPI MUTUAL BENEFIT ASSOCIATION, INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

	Note	December 31 2015	2014
ASSETS			
Cash and cash equivalents	*7*	**P13,876,076**	P20,081,462
Short-term investments	*8*	**3,141,395**	3,116,138
Available-for-sale financial assets	*9*	**713,700,414**	674,708,931
Held-to-maturity investments	*10, 19*	**97,551,958**	84,490,843
Receivables	*11*	**14,032,715**	17,448,885
Property, equipment and computer software - net	*13*	**6,212,839**	8,801,661
Retirement asset	*21*	**2,807,191**	4,017,003
Other assets	*14*	**944,547**	742,425
		P852,267,135	P813,407,348
LIABILITIES AND FUND BALANCE			
Liabilities			
Claims payable	*15*	**P5,010,457**	P3,631,544
Accrued expenses and other liabilities	*16*	**36,755,291**	28,943,661
Aggregate reserves	*17*	**12,412,582**	12,328,295
Equity value reserves	*18*	**316,436,514**	295,023,168
Total Liabilities		**370,614,844**	339,926,668
Fund Balance			
Guaranty fund reserves	*19*	**82,573,455**	74,360,496
General fund balance	*20*	**67,985,334**	60,791,208
Funds assigned for members' benefits	*20*	**225,627,464**	214,938,570
Funds assigned for capacity building	*20*	**98,389,662**	92,116,530
Employee benefit reserves		**390,669**	2,203,855
Fair value reserve on available-for-sale financial assets	*9*	**6,580,016**	27,880,558
Fair value reserve on held-to-maturity investments to be amortized in profit or loss		**105,691**	1,189,463
Total Fund Balance		**481,652,291**	473,480,680
		P852,267,135	P813,407,348

See Notes to the Financial Statements.

TSPI MUTUAL BENEFIT ASSOCIATION, INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF COMPREHENSIVE INCOME

	Note	**Years Ended December 31** 2015	2014
NET MEMBERSHIP FEES			
Membership fees	*12*	**P164,259,193**	P179,178,741
Membership fees ceded to reinsurers		**(159,778)**	(97,334)
		164,099,415	179,081,407
CLAIMS AND BENEFITS EXPENSES			
Claims and benefits	*15*	**43,477,339**	46,467,830
Increase in equity value reserves		**33,351,182**	37,908,037
Increase (decrease) in aggregate reserves		**84,287**	(69,550)
		76,912,808	84,306,317
GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries and other employee benefits		**45,549,927**	43,610,982
Marketing and sales		**19,164,323**	22,161,705
Depreciation and amortization	*13*	**5,121,928**	3,780,548
Incentives		**2,247,092**	2,453,033
Office supplies		**1,758,716**	2,373,158
Planning, meetings and conferences		**1,074,799**	938,507
Communication, light and water		**1,061,361**	1,158,541
Repairs and maintenance		**889,149**	613,307
Transportation and travel		**771,770**	320,073
Advertising and promotion		**743,520**	367,972
Professional fees		**663,918**	562,124
Dues and fees		**156,778**	79,138
Representation and entertainment		**124,732**	160,889
Taxes and licenses		**101,055**	62,015
Donation		**12,000**	-
Miscellaneous		**701,728**	466,581
		80,142,796	79,108,573
OPERATING INCOME		**7,043,811**	15,666,517
OTHER INCOME (EXPENSE)			
Interest income		**33,597,055**	29,616,932
Gain on sale of investments		**1,405,616**	1,309,033
Dividend income	*9*	**475,451**	651,318
Other income		**392,975**	1,426,624
Interest expense	*18*	**(6,597,374)**	(5,922,397)
		29,273,723	27,081,510
NET INCOME		**36,317,534**	42,748,027

Forward

	Note	Years Ended December 31 2015	2014
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified to profit or loss			
Remeasurement of employee benefit reserve	*21*	**(P1,813,186)**	P2,143,880
Item that may be reclassified to profit or loss			
Net change in fair value of available-for-sale financial assets	*9*	**(21,300,542)**	13,900,972
TOTAL COMPREHENSIVE INCOME		**P13,203,806**	P58,792,879

See Notes to the Financial Statements.

TSPI MUTUAL BENEFIT ASSOCIATION, INC.
(A Nonstock, Nonprofit Organization)

STATEMENTS OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Guaranty Fund Reserves (Note 19)	General Fund Balance (Note 20)	Funds Assigned for Members' Benefits (Note 20)	Funds Assigned for Capacity Building (Note 20)	Employee Benefit Reserves (Note 21)	Fair Value Reserve on Available-for-sale Financial Assets (Note 9)	Fair Value Reserve on Held-to-maturity Investments to be Amortized in Profit or Loss	Total
Balance as at December 31, 2014	P74,360,496	P60,791,208	P214,938,570	P92,116,530	P2,203,855	P27,880,558	P1,189,463	P473,480,680
Changes in fair value reserve of available-for-sale financial assets	-	-	-	-	-	(21,300,542)	-	(21,300,542)
Change in actuarial gain	-	-	-	-	(1,813,186)	-	-	(1,813,186)
Net income for the year	-	36,317,534	-	-	-	-	-	36,317,534
Total comprehensive income for the year	-	36,317,534	-	-	(1,813,186)	(21,300,542)	-	13,203,806
Transfer to guaranty fund	8,212,959	(8,212,959)	-	-	-	-	-	-
Transfer to funds assigned for members' benefits	-	(14,637,317)	14,637,317	-	-	-	-	-
Transfer to funds assigned for capacity building	-	(6,273,132)	-	6,273,132	-	-	-	-
Utilization of members' benefits fund	-	-	(3,948,423)	-	-	-	-	(3,948,423)
Fair value reserve to be amortized to profit or loss recognized during the year	-	-	-	-	-	-	704,272	704,272
Amortization of fair value reserve to be amortized to profit or loss	-	-	-	-	-	-	(1,788,044)	(1,788,044)
	8,212,959	(29,123,408)	10,688,894	6,273,132	-	-	(1,083,772)	(5,032,195)
Balance as at December 31, 2015	**P82,573,455**	**P67,985,334**	**P225,627,464**	**P98,389,662**	**P390,669**	**P6,580,016**	**P105,691**	**P481,652,291**

Forward

	Guaranty Fund Reserves (Note 19)	General Fund Balance (Note 20)	Funds Assigned for Members' Benefits (Note 20)	Funds Assigned for Capacity Building (Note 20)	Employee Benefit Reserves (Note 21)	Fair Value Reserve on Available-for-sale Financial Assets (Note 9)	Fair Value Reserve on Held-to-maturity Investments to be Amortized in Profit or Loss	Total
Balance as at December 31, 2013	P65,401,559	P334,057,218	P -	P -	P59,975	P13,979,586	P1,286,599	P414,784,937
Changes in fair value reserve of available-for-sale financial assets	-	-	-	-	-	13,900,972	-	13,900,972
Change in actuarial gain	-	-	-	-	2,143,880	-	-	2,143,880
Net income for the year	-	42,748,027	-	-	-	-	-	42,748,027
Total comprehensive income for the year	-	42,748,027	-	-	2,143,880	13,900,972	-	58,792,879
Transfer to guaranty fund	8,958,937	(8,958,937)	-	-	-	-	-	-
Transfer to funds assigned for members' benefits	-	(214,938,570)	214,938,570	-	-	-	-	-
Transfer to funds assigned for capacity building	-	(92,116,530)	-	92,116,530	-	-	-	-
Fair value reserve to be amortized to profit or loss recognized during the year	-	-	-	-	-	-	87,140	87,140
Amortization of fair value reserve to be amortized to profit or loss	-	-	-	-	-	-	(184,276)	(184,276)
	8,958,937	(316,014,037)	214,938,570	92,116,530	-	-	(97,136)	(97,136)
Balance as at December 31, 2014	P74,360,496	P60,791,208	P214,938,570	P92,116,530	P2,203,855	P27,880,558	P1,189,463	P473,480,680

See Notes to the Financial Statements.

TSPI MUTUAL BENEFIT ASSOCIATION, INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	**2015**	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		**P36,317,534**	P42,748,027
Adjustments for:			
Increase in equity value reserve		**33,351,182**	37,908,037
Interest income earned		**(33,597,055)**	(29,616,932)
Interest expense incurred	*18*	**6,597,374**	5,922,397
Retirement expense	*21*	**226,626**	863,248
Depreciation and amortization	*13*	**5,121,928**	3,780,548
Gain on sale of investments		**(1,405,616)**	(1,309,033)
Loss on sale of assets		**723**	-
Increase (decrease) in aggregate reserves		**84,287**	(69,550)
Increase (decrease) in claims incurred but not yet reported	*15*	**1,520,189**	(1,444,757)
Dividend income	*9*	**(475,451)**	(651,318)
Operating income before working capital changes		**47,741,721**	58,130,667
Decrease (increase) in:			
Receivables		**3,796,317**	(703,657)
Due from related party		**1,977,459**	4,035,821
Other assets		**(202,122)**	529,686
Increase (decrease) in:			
Claims payable		**(141,276)**	39,568
Accrued expenses and other liabilities		**2,000,411**	2,127,718
Refund of equity value reserve		**(11,937,836)**	(10,412,381)
Cash generated from operations		**43,234,674**	53,747,422
Interest paid		**(786,155)**	(600,366)
Net cash provided by operating activities		**42,448,519**	53,147,056
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income received		**33,069,709**	30,497,575
Dividend received	*9*	**475,451**	651,318
Increase in short-term investments		**(25,257)**	(18,037)
Contribution to retirement plan assets	*21*	**(830,000)**	-
Acquisitions of:			
Available-for-sale financial assets	*9*	**(109,123,517)**	(294,553,946)
Property, equipment and computer software	*13*	**(2,533,829)**	(8,621,676)
Proceeds from disposal of available-for-sale financial assets		**34,261,961**	155,636,835
Net cash used in investing activities		**(44,705,482)**	(116,407,931)

Forward

		Years Ended December 31	
	Note	**2015**	2014
CASH FLOWS FROM A FINANCING ACTIVITY			
Utilization of members' benefit fund		**(P3,948,423)**	P -
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(6,205,386)**	(63,260,875)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**20,081,462**	83,342,337
CASH AND CASH EQUIVALENTS AT END OF YEAR	*7*	**P13,876,076**	P20,081,462

See Notes to the Financial Statements.

TSPI MUTUAL BENEFIT ASSOCIATION, INC.
(A Nonstock, Nonprofit Organization)
NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

TSPI Mutual Benefit Association, Inc. (the "Association") was registered with the Philippine Securities and Exchange Commission and was given license to operate as a mutual benefit association by the Insurance Commission (IC) on May 12, 2006 and December 22, 2006, respectively. The Association was organized primarily to extend financial assistance to the members and immediate members of their families in the form of death benefits, medical reimbursement, pension, loan redemption assistance, disability benefit and other services for the benefit of the members.

On July 1, 2014, the IC renewed the Association's license as a mutual benefit association until December 31, 2015. The Association has applied for renewal of the license for 2016 and as at reporting date, the IC has not yet issued the license.

As provided in Section 30 (e) of the National Internal Revenue Code, the Association is exempt from the payment of income tax with respect to income it receives as a nonstock, nonprofit organization.

The Association's registered address is at 3rd Floor, TSPI Building, 2363 Antipolo St. Guadalupe Nuevo, Makati City.

2. Basis of Preparation

Statement of Compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

Basis of Measurement

The financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis at each reporting date.

Items	Measurement Bases
Available-for-sale (AFS) financial assets	Fair value
Retirement asset	Present value of the defined benefit obligation less fair value of plan assets

Functional and Presentation Currency

The financial statements of the Association are presented in Philippine peso, which is also the Association's functional currency. All financial information presented in Philippine peso has been rounded off to the nearest peso, except when otherwise indicated.

The financial statements as at and for the year ended December 31, 2015 was approved by the Board of Trustees and authorized for issue by the President and Chief Executive Officer on April 1, 2016.

Use of Judgments and Estimates

The preparation of financial statements in accordance with PFRSs requires the management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are readily apparent from other sources. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future period affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in Note 4 to the financial statements.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Association has adopted the following amendments to standards and new interpretation starting January 1, 2015. The adoption of these amendments to standards and interpretation did not have any significant impact on the Association's financial statements.

Effective July 1, 2014

- *Annual Improvements to PFRSs: 2010 - 2012 and 2011 - 2013 Cycles* - Amendments were made to a total of nine standards, with changes made to the standards on business combinations and fair value measurement in both cycles. Earlier application is permitted, in which case the related consequential amendments to other PFRSs would also apply. Special transitional requirements have been set for amendments to the following standards: PFRS 2, *Share-based Payment,* PAS 16, *Property, Plant and Equipment,* PAS 38, *Intangible Assets* and PAS 40, *Investment Property*. Below is the amendment to PFRSs, which may be applicable to the Association:

  - *Definition of 'related party' (Amendment to PAS 24, Related Party Disclosures).* The definition of a 'related party' is extended to include a management entity that provides key management personnel (KMP) services to the reporting entity, either directly or through a group entity. For related party transactions that arise when KMP services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the KMP services. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of PAS 24 - e.g. loans.

Standards Issued but Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2015. However, the Association has not applied the following new or amended standards in preparing these financial statements. The Association is assessing the potential impact on its financial statements resulting from the application of the new standards.

Effective January 1, 2016

- *Disclosure Initiative (Amendments to PAS 1, Presentation of Financial Statements)* addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:

  - Information should not be obscured by aggregating or by providing immaterial information.

  - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.

  - The list of line items to be presented in the statements of financial position and statements of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

  - An entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

  The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

Effective January 1, 2018

- PFRS 9, *Financial Instruments (2014).* PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement,* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018 with early adoption permitted.

Pending approval of local adoption of PFRS 15, Revenue from Contracts with Customers

- PFRS 15 replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue,* IFRIC 13, *Customer Loyalty Programmes*, IFRIC 18, *Transfer of Assets from Customers* and *SIC-31 Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

  However, the FRSC has yet to issue/approve this new revenue standard for local adoption pending completion of a study by the Philippine Interpretations Committee on its impact on the real estate industry. If approved, the standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

Classification of Insurance and Investment Contracts

The Association issues contracts that transfer insurance or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such risk includes the possibility of having to pay benefits on the occurrence of an insured event such as death, accident or disability. The Association may also transfer insurance risk in insurance contracts through its reinsurance arrangement to hedge a greater possibility of claims occurring than expected. Such contracts may also transfer financial risk. As a general guideline, the Association defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that is more than the benefits payable if the insured event did not occur. Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

Once a contract has been classified as an insurance contract, it remains as an insurance contract for the remainder of its life, even if the insurance risk reduces significantly during the period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if the insurance risk becomes significant.

Insurance Contracts

The Association issues membership certificates, governing rules and regulations, and application forms that transfer insurance risk.

Conventional Annual Insurance Contracts

These contracts insure events associated with human life (for example, death or survival) over an annual duration. Membership fees are recognized as revenue when paid by the certificate holder. Benefits are recognized as an expense when they are incurred.

A liability for contractual benefits that is expected to be incurred in the future is recognized for policies that are in-force as at the reporting dates. The proportion of written membership fee attributable to subsequent periods or to risks that have not yet expired is deferred as aggregate reserves. The change in the provision for unearned membership fee is taken to profit or loss in the order that revenue is recognized over the period of risk. When the anticipated losses, loss adjustment expenses, commissions and other acquisition costs, and maintenance costs exceed the recorded aggregate reserves, and any future installment membership fees on existing policies, a deficiency reserve shall be recognized by recording an additional liability for the deficiency, with a corresponding charge to profit or loss.

Liability Adequacy Tests

At each reporting date, liability adequacy tests are performed for policies with coverage that extend to beyond one year to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from assets backing such liabilities, are used. Any deficiency is immediately recognized in profit or loss.

As at December 31, 2015 and 2014, the Association does not have any policies with coverage of more than one year.

Reinsurance Contracts Held

Contracts entered into by the Association with reinsurer which compensates the Association for losses on one or more contracts issued by the Association and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

The benefits recoverable to which the Association is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of amounts due from reinsurers classified within insurance receivables. Reinsurance liabilities are primarily membership fees payable for reinsurance contracts and are recognized as expense when due. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with terms of each reinsurance contract.

The Association assesses its reinsurance assets for impairment at least annually. If there is objective evidence that the reinsurance asset is impaired, the Association reduces the carrying amount of the reinsurance assets to its recoverable amount and recognizes that impairment loss in profit or loss. The Association gathers the objective evidence that a reinsurance asset is impaired using the same process for financial assets.

<u>Financial Instruments</u>

Date of Recognition. Financial instruments are recognized in the statements of assets, liabilities and fund balance when the Association becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date. The trade date is the date that an entity commits itself to purchase or sell an asset.

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

The classification depends on the purpose for which the instruments were acquired or incurred and whether these are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As at December 31, 2015 and 2014, the Association has no financial assets and liabilities at FVPL.

'Day 1' Difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Association recognizes the difference between the transaction price and fair value (a 'Day 1' Difference) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where an observable data is used, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Association determines the appropriate method of recognizing the 'Day 1' Difference amount.

Fair Value Measurement

A number of the Association's accounting policies and disclosures require the measurement of fair value for both financial and non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price), regardless of whether that price is directly observable or estimated using another valuation technique. Where applicable, the Association uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

When measuring the fair value of an asset or a liability, the Association uses market observable data as far as possible. Fair value is categorized in different levels in a fair value hierarchy based on the inputs used in the valuation technique (see Note 6).

AFS Financial Assets. AFS financial assets are financial assets which are designated as such, or do not qualify to be classified or have not been classified under any other financial asset category. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value. Changes in fair value, other than impairment loss and foreign currency differences on AFS equity securities, are recognized in other comprehensive income as "Fair value reserve on AFS financial assets" and are presented within equity. The losses arising from the impairment of such securities are recognized in profit or loss. When the security is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is transferred to profit or loss. The effective yield component of AFS debt securities is reported in profit or loss.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of unobserved inputs such as in the case of unquoted equity instruments, these financial assets are allowed to be carried at cost less impairment, if any.

As at December 31, 2015 and 2014, the Association's AFS financial assets amounted to P713.70 million and P674.71 million, respectively (see Note 9).

HTM Investments. HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which management has the positive intention and ability to hold to maturity. Where the Association sells or reclassifies other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified at fair value as AFS financial assets. After initial measurement, these investments are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. 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). The amortization, if any, is included as part of "Interest income" in profit or loss.

As at December 31, 2015 and 2014, the Association's HTM investments amounted to P97.55 million and P84.49 million, respectively (see Note 10).

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not held for trading.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment loss. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization, if any, is included as part of "Interest income" in profit or loss.

As at December 31, 2015 and 2014, the Association's cash and cash equivalents, short-term investments, receivables and cash held by investment manager/custodian under "Other assets" are classified under this category.

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

Other Financial Liabilities. Issued financial instruments or their component, which are not classified as at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Association having an obligation either to deliver cash or another financial asset to the holder or lender.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. The amortization is included as part of "Interest expense" in profit or loss.

This category includes the Association's claims payable and accrued expenses and other liabilities excluding amounts payable to government agencies.

Impairment of Financial Assets

The Association assesses at each reporting date whether a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults.

AFS Financial Assets Carried at Fair Value. In case of equity securities classified as AFS financial assets, impairment indicators would include a significant or prolonged decline in the fair value of the investments below cost. Where there is objective evidence of impairment, the cumulative loss in equity, measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized, is recorded in profit or loss. Subsequent increase in the fair value of an impaired AFS equity security is recognized in other comprehensive income.

Financial Assets at Amortized Cost. The Association first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Association determines that no objective evidence of impairment exists for individually assessed accounts, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses 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 the collective assessment for impairment. For the purpose of a collective evaluation of impairment, loans and receivables are grouped on the basis of credit risk characteristics such as type of borrower, payment status and term.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the excess of loan's carrying amount over its net realizable value, based on the present value of the estimated future cash flows from the asset. The present value of the estimated future cash flows is discounted at the loan's original EIR. Time value is generally not considered when the effect of discounting is not material. The carrying amount of an impaired loan is reduced to its net realizable value through the use of an allowance account and the accrual of interest is discontinued. If, in a subsequent period, the amount of the allowance for impairment loss decreases because of an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed to profit or loss to the extent that the resulting carrying amount of the asset does not exceed its amortized cost had no impairment loss been recognized.

The Association performs a regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provide the appropriate allowance for impairment loss. The Association writes off its long-outstanding receivable accounts from deceased, unlocated, or migrated debtors, where they have exhausted all efforts to collect.

<u>Offsetting of Financial Instruments</u>
Financial assets and financial liabilities are offset and the net amount is reported in the statements of assets, liabilities and fund balance 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 generally not the case with master netting agreements, thus, the related assets and liabilities are presented on a gross basis in the statements of assets, liabilities and fund balance. Income and expenses are presented on a net basis only when permitted under PFRSs, such as in the case of any realized gains or losses arising from the Association's trading activities.

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

- the right to receive cash flows from the asset have expired;

- the Association retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

- the Association has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Association has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor is transferred control of the asset, the asset recognized to the extent of the Association's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Association could be required to pay.

Financial Liability
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

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

The initial cost of property and equipment comprises its purchase price, including import duties, taxes, any directly attributable costs in bringing the asset to its working condition and location for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of replacing part of an item of property and equipment is recognized in the carrying value of the item if it is probable that the future economic benefits embodied within the part will flow to the Association and its cost can be measured reliably.

The costs of the day-to-day servicing of property and equipment are recognized as expense in the period in which they are incurred. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of the assets.

The estimated useful lives of property and equipment are as follows:

	Number of Years
Office furniture and fixtures	5
Transportation and equipment	5
Office equipment	3 - 5
Building and improvement	5

The estimated useful lives, depreciation method, and residual values are reviewed periodically and adjusted, if appropriate, to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment. Changes in the estimated useful lives, depreciation method, and residual values of property and equipment are accounted for by changing the depreciation method, as appropriate, and treated as changes in accounting estimates.

When an asset is disposed of, or is permanently withdrawn from use or no future economic benefits are expected from its disposal, the cost and the related accumulated depreciation and impairment loss, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

Computer Software
Computer software is initially measured at cost which is comprised of costs incurred to acquire the computer software (not an integral part of its related hardware) and bring it to its intended use. All other costs of developing and maintaining computer software are recognized as expense when incurred.

Subsequently, computer software is measured at cost less amortization and impairment, if any. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the computer software, from the date that they are available for use, not to exceed three (3) years.

Gains or losses arising from the derecognition of the computer software are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

Impairment of Non-financial Assets

At each reporting date, the Association assesses whether there is any indication that its non-financial assets such as property, equipment and computer software may be impaired. When an indicator of impairment exists, the Association estimates the recoverable amount of the impaired assets. The recoverable amount is the higher of the fair value less costs of disposal and value in use. Fair value less costs of disposal is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less costs of disposal while value in use is the present value of future cash flows expected to be derived from an asset. 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 assessment of the time value of money and the risks specific to the asset.

Where the carrying amount of an asset exceeds its recoverable amount, the impaired asset is written down to its recoverable amount. An impairment loss is recognized in profit or loss in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The reversal can be made only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Employee Benefits

Retirement Benefits

The Association's net obligation in respect of the defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Association, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the retirement asset, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Association determines the net interest expense (income) on the retirement asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the retirement asset, taking into account any changes in the retirement asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss.

The Association recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Association has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Insurance Contract Liabilities

Aggregate Reserves
Aggregate reserves represent the accumulated total liability for policies in-force as at the reporting dates. Such reserves are established at amount adequate to meet the estimated future obligations to all members with in-force policy. The reserves are calculated using the actuarial methods and assumptions in accordance with statutory requirements and as approved by the IC.

Equity Value Reserves
Equity value reserves represent the accumulated reserve for remittance to members. The equity value reserves are established at fifty percent (50%) of the total mandatory membership fees collected. A two percent (2%) interest is earned by the members based on their contributions. Effective December 1, 2014, the twenty percent (20%) surrender charge was no longer imposed on equity value for certificates paid for less than three (3) continuous years. This is in accordance with Section 409 of the amended Insurance Code (the "Insurance Code"). Upon death or withdrawal of the member, equity value reserves contributed are refunded to its members.

Fund Balance

Guaranty Fund Reserves
Guaranty fund reserves represent required fund amounting to P5.00 million, and every year thereafter increased by an amount equivalent to five percent (5%) of gross premium collections until its amount has reached twenty-five percent (25%) of the required networth for existing domestic life insurance companies.

General Fund Balance
General fund balance account represents the free and unassigned surplus of the Association.

Funds Assigned for Members' Benefits
The account pertains to the amount appropriated for members' benefits such as community development, transformation and microenterprise projects.

Funds Assigned for Capacity Building
The account pertains to the amount appropriated for capacity building such as training of members and employees and investment in new systems.

Employee Benefit Reserves
Employee benefit reserves pertain to the accumulated actuarial gains and losses from the remeasurement of the net pension liability.

Fair Value Reserve on AFS Financial Assets
Fair value reserve on AFS financial assets pertain to the cumulative amount of gains and losses due to the revaluation of AFS financial assets.

Fair Value Reserve on HTM Investments
Fair value reserve on HTM investments pertain to the change in fair value of the investments reclassified from AFS to HTM at date of reclassification. This reserve is amortized to profit or loss with the unamortized premium or discount of the reclassified investments through the effective interest method.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Association and the revenue can be measured reliably. The following specific recognition criteria must be met before revenue is recognized:

Membership Fees
Membership fees are the insurance premium income and are recognized when received. Insurance premiums include weekly cash collection of one peso for every one thousand pesos of the loan availed for credit life cover and an annual premium of two hundred forty pesos for life insurance cover.

Membership fees ceded to reinsurers are recognized as expense when the policy becomes effective.

Interest Income
Interest income for all interest-bearing financial instruments is recognized in profit or loss using effective interest method.

Dividend Income
Dividend income is recognized when the shareholder's right to receive payment is established.

Other Income
Other income arises mainly from surcharge fees due to the early termination of the policy and recovery of marketing and selling expenses for Microhealth products.

Claims, Benefits, and Expenses Recognition
Claims and Benefits
Claims consist of benefits and claims paid and unpaid to members, denied and resisted claims and incurred but not reported (IBNR) claims. Provision for IBNR is made for the cost of claims incurred as of each reporting date but not reported until after the reporting date based on the Association's experience and historical data. Differences between the provision for outstanding claims at the reporting date and subsequent revisions and settlements are included in profit or loss of subsequent years. Death claims and surrenders are recorded on the basis of notifications received.

General and Administrative Expenses
Expenses are recognized when the decrease in future economic benefits related to a decrease in an asset or increase of a liability has arisen that can be measured reliably. Expenses are recognized when incurred.

Interest Expense
Interest expense on accumulated equity value reserves are recognized in the profit or loss when it accrues.

Provisions and Contingencies

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

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

Related Party Transactions

Related party relationships exist when one (1) party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the enterprise and its key management personnel, trustees, or its members.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Events After the Reporting Date

Post year-end events that provide additional information about the Association's assets, liabilities and fund balance at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

4. Significant Accounting Judgments and Estimates

The Association makes judgment and key estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are as follows:

Judgments

(a) *Classification of Financial Instruments*

The Association exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of assets, liabilities and fund balance. In addition, the Association classifies 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 the quoted prices are readily and regularly available and whether those prices represent actual and regularly occurring market transactions on an arm's length basis. Financial assets are either classified as AFS financial assets or HTM investments.

(b) Impairment of Financial Assets
Financial Assets at Fair Value
The Association considers that investments are impaired when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged decline requires judgment. In making this judgment, the Association evaluates among other factors, the normal volatility in share/market price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Financial Assets at Amortized Cost
The Association determines that investments carried at amortized cost are impaired when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ("loss event") and which has an impact on the estimated future cash flows of the financial asset. The Association makes judgments as to whether there is objective evidence of impairment which may include assessment of data indicating the lender or issuer's financial difficulties, and consideration of national or economic conditions that correlate with defaults on the asset.

Receivables
The Association reviews its receivables to assess impairment at least on an annual basis, or as the need arises due to significant movements on certain accounts. Receivables from policyholders and reinsurance that are individually significant are assessed to determine whether objective evidence of impairment exists on an individual basis, while those that are not individually significant are assessed for objective evidence of impairment either on an individual or on collective basis. In determining whether an impairment loss should be recorded in the profit or loss, the Association makes judgment as to whether there are any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before the decrease can be identified with an individual receivable in that portfolio.

As at December 31, 2015 and 2014, the Association has not recognized any impairment loss on its financial assets.

Estimates

(a) Estimating Allowance for Impairment Loss on Receivables
If there is an objective evidence that an impairment loss on receivables 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 EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of loss shall be recognized in profit or 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 amortized cost at the reversal date.

No impairment loss on financial assets carried at amortized cost was recognized in 2015 and 2014.

(b) Fair Value Estimation

The fair value of financial instruments traded in active markets is based on quoted market prices or quoted prices for similar assets or liabilities at the reporting date. If the financial instrument is not traded in an active market, the fair value is determined using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by management. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair values of financial instruments.

As at December 31, 2015 and 2014, the Association's financial instruments carried at fair value are classified as Level 1 in the fair value hierarchy (see Note 6).

(c) Estimated Useful Lives of Property, Equipment and Computer Software

The Association estimates useful lives of property, equipment and computer software based on the period over which the assets are expected to be available for use and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence. The useful lives, and depreciation and amortization methods are reviewed periodically to ensure that the method and periods of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment, and computer software.

As at December 31, 2015 and 2014, the carrying amounts of property and equipment and computer software amounted to P6.21 million and P8.80 million, respectively (see Note 13).

(d) Liability Arising from Claims made under Insurance Contracts

The ultimate liability arising from claims made under insurance contracts is the Association's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Association will ultimately pay for such claims. The major sources of uncertainties are the frequency of claims due to contingencies covered and the timing of benefit payments.

Claims estimation by the Association considers many factors such as industry average mortality or morbidity experience, with adjustments to reflect the Association's historical experience. These liabilities form part of the Association's IBNR which amounted to P4.02 million and P2.50 million as at December 31, 2015 and 2014, respectively (see Note 15).

(e) Estimating Aggregate Reserves

The Association estimates the aggregate reserves for future contractual obligations for contributions paid by determining the fifteen percent (15%) of the unexpired portion of the mandatory premiums collected each month on per quarter, semi-annual and annual basis. For loan availment premium, eighty percent (80%) of the unexpired portion is set-up. The assumption is based on a number of factors determined by an actuary including the unearned premium factor.

As at December 31, 2015 and 2014, aggregate reserves amounted to P12.41 million and P12.33 million, respectively (see Note 17).

(f) Retirement and Other Employee Benefits

The determination of the obligation and cost of retirement benefits is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions include, among others, discount rates, expected returns on plan assets and salary increase rates.

While the Association believes that the assumptions are reasonable and appropriate, significant differences between actual experience and assumptions may materially affect the cost of employee benefits and related obligations.

As at December 31, 2015 and 2014, the Association has a retirement asset of P2.81 million and P4.02 million, respectively (see Note 21).

Retirement expense amounted to P0.23 million in 2015 and P0.86 million in 2014 while employee benefit reserves amounted to P0.39 million and P2.20 million as at December 31, 2015 and 2014, respectively (see Note 21).

5. Management of Insurance and Financial Risks

The Association's activities expose it to a variety of risks such as financial and insurance risks. The overall objective of risk management is to focus on the unpredictability of financial and insurance contingencies to minimize potential adverse effects on the financial condition of the Association.

Governance

The Board of Trustees of the Association has overall responsibility for the establishment and oversight of the Association's risk management framework. The Board of Trustees has delegated to the management the responsibility of developing and monitoring the Association's risk management policies.

The Association's risk management policies are established to identify and analyze the risks faced by the Association, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Association's activities. The Association, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The management is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Association.

Regulatory Framework

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

Capital Management

The Association's objective in managing fund balance is to maintain high growth by applying free cash flow to selective investments that would preclude the Association's need of additional financing. The Association sets strategies with the objective of establishing a versatile and resourceful financial management and fund balance structure. The management has overall responsibility for monitoring of fund balance in proportion to risk. Profiles for ratios are set in the light of changes in the Association's external environment and the risks underlying the Association's business operations and industry.

The Association's capital includes guaranty fund reserves, general fund balance, funds assigned for members' benefits and capacity building.

The Association monitors fund balance on the basis of the debt-to-equity ratio which is calculated as total debt divided by total fund balance. Total debt is equivalent to claims payable, accrued expenses and other liabilities, aggregate reserves and equity value reserves. Total equity comprises the fund balance.

Debt-to-equity ratio is 76.95% and 71.79% in 2015 and 2014, respectively. There were no changes in the Association's approach to fund balance management during the year.

The Association is subject to imposed capital requirements set by the IC. Compliance with these requirements is discussed below.

Networth Requirement

Under the Insurance Code, mutual benefit associations must have available total member's equity in an amount to be determined by the IC above all liabilities for losses reported as networth requirement.

The final amount of the networth requirement can be determined only after the accounts of the Association have been examined by the IC, specifically as to admitted and non-admitted assets as defined in the Insurance Code.

The estimated amounts of non-admitted assets as defined in the Insurance Code included in the Association's statements of assets, liabilities and fund balance, which are subject to final determination by the IC are as follows:

	2015	2014
Receivables	**P1,733,650**	P3,715,132
Property, equipment and computer software - net	**1,821,445**	2,639,908
Other assets	**944,550**	740,169
	P4,499,645	P7,095,209

As at December 31, 2015 and 2014, the Association is compliant with the required networth requirement based on its internal computations.

Risk-Based Capital (RBC) Requirements

As per IC's Memorandum Circular (IMC) No. 6-2006, every mutual benefit entity is annually required to maintain an RBC ratio of at least one hundred percent (100%) and not to fail the trend test. RBC ratio is computed using the formula prescribed by the IC. The RBC requirement is determined after considering the admitted value of certain financial statement accounts whose final amounts can be determined only after the examination by the IC.

Failure to meet the minimum RBC ratio shall subject the Association to regulatory intervention which could be at various levels depending on the degree of the violation.

The following table shows how the RBC ratio at December 31, 2015 and 2014 were determined by the Association based on its internal calculations:

	2015	2014
Members' equity	**P474,345,458**	P462,368,460
Risk-based capital requirement	**11,444,049**	12,579,376
Risk-based capital ratio	**4,145%**	3,676%

As at December 31, 2015 and 2014, the Association is compliant with the required RBC ratio.

Insurance Risk

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. The principal risk that the Association faces under its insurance contracts are that the actual claims and benefit payments exceed the carrying value of the insurance liabilities, which was the estimates, established using certain assumptions.

The table below sets out the concentration of life insurance contract by type of contract as at December 31, 2015 and 2014.

	2015		2014	
	Gross of Reinsurance	**Net of Reinsurance**	Gross of Reinsurance	Net of Reinsurance
Loan availment benefits	**P97,556,828**	**P97,463,670**	P103,361,207	P103,303,780
Mandatory benefits	**66,702,365**	**66,635,745**	75,817,534	75,777,627
	P164,259,193	**P164,099,415**	P179,178,741	P179,081,407

The Association's exposure to insurance risk as at December 31, 2015 and 2014 are as follows:

	Note	**2015**	2014
Aggregate reserves	*17*	**P12,412,582**	P12,328,295
Equity value reserves	*18*	**316,436,514**	295,023,168
		P328,849,096	P307,351,463

Key Assumptions

The principal assumption underlying the estimates is the Association's past claims development experience. This includes assumptions in respect of average claim costs and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example, one off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Sensitivity Analysis for Insurance Risk

As at December 31, 2015 and 2014, it is estimated that a general increase of one percent (1%) in aggregate and equity value reserves, with all other variables held constant, would decrease the Association's net income and equity by approximately P3.29 million and P3.07 million, respectively. An equal change in the opposite direction would have decreased net income and equity by an equal but opposite amount.

Financial Risks

The Association has significant exposure to the following financial risks and from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

There has been no change to the Association's exposure to financial risks (i.e. credit risk, liquidity risk and market risk) or the manner in which it manages and measures the risks since prior financial year.

(a) Credit Risk

Credit risk is the risk of financial loss to the Association if the counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Association's financial assets.

Except for HTM investments which mature on various dates, all of the Association's financial assets are current. Thus, the credit risk relating to these financial assets are considered small due to the short settlement period involved. The Association's HTM investments consist primarily of government securities. Since these are backed by the full faith and credit of the Philippine Government, these are generally considered to be free of credit risk.

The carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting dates are as follows:

	Note	**2015**	2014
Cash in bank and cash equivalents	*7*	**P12,877,967**	P19,057,328
Short-term investments	*8*	**3,141,395**	3,116,138
AFS financial assets	*9*	**691,951,622**	649,122,410
HTM investments	*10*	**97,551,958**	84,490,843
Receivables	*11*	**14,032,715**	17,448,885
Other assets (excluding prepaid expenses and fidelity bond deposit)	*14*	**80,215**	73,204
		P819,635,872	P773,308,808

The Association's concentration of credit risk arises from its investments in government securities since the said investments amounted to P396.25 million and P413.18 million of its total assets as at December 31, 2015 and 2014, respectively.

The table below provides information regarding the credit risk exposure of the Association as at December 31, 2015 and 2014 by classifying assets according to the Association's credit grading of counterparties.

	2015				
	Neither Past Due nor Impaired				
	Investment High-grade	Non-investment Grade - Satisfactory	Total Financial Assets Neither Past Due nor Impaired	Past Due and Impaired	Total
Cash in bank and cash equivalents	P12,877,967	P -	P12,877,967	P -	P12,877,967
Short-term investments	3,141,395	-	3,141,395	-	3,141,395
AFS financial assets	691,951,622	-	691,951,622	-	691,951,622
HTM investments	97,551,958	-	97,551,958	-	97,551,958
Receivables	-	14,032,715	14,032,715	-	14,032,715
Other assets (excluding prepaid expenses and fidelity bond deposit)	-	80,215	80,215	-	80,215
	P805,522,942	P14,112,930	P819,635,872	P -	P819,635,872

	2014				
	Neither Past Due nor Impaired				
	Investment High-grade	Non-investment Grade - Satisfactory	Total Financial Assets Neither Past Due nor Impaired	Past Due and Impaired	Total
Cash in bank and cash equivalents	P19,057,328	P -	P19,057,328	P -	P19,057,328
Short-term investments	3,116,138	-	3,116,138	-	3,116,138
AFS financial assets	649,122,410	-	649,122,410	-	649,122,410
HTM investments	84,490,843	-	84,490,843	-	84,490,843
Receivables	-	17,448,885	17,448,885	-	17,448,885
Other assets (excluding prepaid expenses and fidelity bond deposit)	-	73,204	73,204	-	73,204
	P755,786,719	P17,522,089	P773,308,808	P -	P773,308,808

The Association has no past due but not impaired financial assets as at December 31, 2015 and 2014.

The Association uses a credit grading system based on the borrowers and counterparties overall credit worthiness, as described below:

Investment High - grade - This pertains to accounts with a very low probability of default as demonstrated by the borrower's strong financial position and reputation. The borrower has the ability to raise substantial amounts of funds through credit facilities with financial institutions. The borrower has a strong debt service record and a moderate use of leverage.

Non-investment Grade - Satisfactory - This pertains to current accounts with no history of default or which may have defaulted in the past, but the conditions and circumstances directly affecting the borrower's ability to pay has abated already. The borrower is expected to be able to adjust to the cyclical downturns in its operations. Any prolonged adverse economic conditions would however ostensibly create profitability and liquidity issues. The use of leverage may be above industry or credit standards but remains stable.

Past Due and Impaired - This pertains to the allowance for impairment loss that the Association recognizes due to the uncertainty of the collectability of the Association's receivables.

(b) *Liquidity Risk*

Liquidity risk is the risk that the Association will not be able to meet its financial obligations as they fall due. The Association's approach in managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Association's reputation.

The Association prepares weekly cash position report and weekly check disbursement forecast, which assists in monitoring cash flow requirements. Typically, the Association ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot be predicted.

The maturity profile of the Association's financial liabilities as at December 31, 2015 and 2014 are as follows:

		2015	
	Note	**Carrying Amount**	**Contractual Cash Flow**
Claims payable	*15*	**P5,010,457**	**P5,010,457**
Equity value reserves	*18*	**316,436,514**	**316,436,514**
Accrued expenses and other liabilities*	*16*	**34,633,706**	**34,633,706**
		P356,080,677	**P356,080,677**

**Accrued expenses and other liabilities shown above exclude payables to regulatory agencies amounting to P2.12 million.*

		2014	
	Note	Carrying Amount	Contractual Cash Flow
Claims payable	*15*	P3,631,544	P3,631,544
Equity value reserves	*18*	295,023,168	295,023,168
Accrued expenses and other liabilities*	*16*	26,673,381	26,673,381
		P325,328,093	P325,328,093

**Accrued expenses and other liabilities shown above exclude payables to regulatory agencies amounting to P2.27 million.*

(c) *Market Risk*

Market risk is the risk that causes changes in market prices, such as interest rate and equity price risks. This will affect the Association's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market exposures within acceptable parameters, while optimizing the return. The Association's exposure to currency risk was assessed by management to be insignificant.

Interest Rate Risk

There are two types of interest rate risk:

- *Fair Value Interest Rate Risk* - the risk that the value of a financial instrument will fluctuate because of changes in market interest rates; and

- *Cash Flow Interest Rate Risk* - the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Significant portion of the Association's investments is composed of interest-bearing debt instruments carried at fair value. As a result, the Association is exposed to fair value interest rate risk. The Association's interest-bearing financial instruments as at December 31, 2015 and 2014 are as follows:

	Note	**2015**	2014
Cash in banks	*7*	**P12,877,967**	P19,057,328
Short-term investments	*8*	**3,141,395**	3,116,138
AFS financial assets	*9*	**691,951,622**	649,122,410
HTM investments	*10*	**97,551,958**	84,490,843
		P805,522,942	P755,786,719

The following table demonstrates Association's best estimate of the sensitivity to reasonable possible change in interest rates, with all other variables held constant, to the Association's net income and equity as at December 31:

	Change in Basis Points (bps)	**Effect on Net Income/Equity**
2015	**Increase by 27 bps**	**P2,174,912**
	Decrease by 27 bps	**(2,174,912)**
2014	Increase by 100 bps	7,557,867
	Decrease by 100 bps	(7,557,867)

The Association does not carry debt instrument with variable interest rate and, thus, is not exposed to cash flow interest rate risk.

Interest rate risk is mitigated by the Association's Board of Trustees by constructing a portfolio of debenture instruments with diversified maturities. Any excess cash of the Association are temporarily invested in time deposits with the term to maturity of 35 days up to 3 months and later placed in instruments with longer tenors.

The Association believes that the analysis above is considered to be representative of the interest rate risk.

Equity Price Risk

Equity price risk is the risk that value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

The Association's equity price risk exposure relates to investments designated as AFS financial assets with carrying balances of P21.75 million and P25.59 million as at December 31, 2015 and 2014, respectively (see Note 9). The value of these equity securities will fluctuate with changes in market conditions.

A 7% (2014: 7%) increase in stock prices would have increased net income and equity by P1.52 million (2014: P1.79 million) as at December 31, 2015, with all variables remaining constant. An equal change in the opposite direction would have decreased net income and equity by an equal but opposite amount.

In 2015 and 2014, the Association determined the reasonably possible change in Philippine Stock Exchange (PSE) Index based on the historical fluctuation of equity securities the Association holds as of the reporting date.

6. Fair Value Measurements and Disclosures

The fair values of financial assets and liabilities approximate their carrying value due to the relatively short-term maturity of these financial instruments except for HTM investments.

The recurring fair value of AFS financial assets are determined by reference to quoted market prices, at the close of business on the reporting date.

Fair Value Hierarchy
The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of AFS financial assets using Level 1 inputs is P713.70 million and P674.71 million as at December 31, 2015 and 2014, respectively (see Note 9).

The Association has no financial instruments categorized under Level 2 and 3. There has been no transfer between levels in 2015 and 2014.

7. Cash and Cash Equivalents

This account consists of:

	2015	2014
Cash on hand	**P998,109**	P1,024,134
Cash in banks	**10,197,865**	16,837,712
Cash equivalents	**2,680,102**	2,219,616
	P13,876,076	P20,081,462

Cash in banks earn annual interest ranging from 0.75% to 1.25% at respective bank deposit rates both in 2015 and 2014. Short-term placements represent a 90-day time deposit with an average annual interest rate of 1.00% in 2015 and 2014. In 2015, an 8-day placement in a local bank with an average annual interest rate of 0.50% was made by the Investment Manager of the Association. Both placements are pre-terminable and with a maturity of not more than 3 months from the date of issue.

Interest income net of final tax recognized in profit or loss which is presented under "Interest income", amounted to P0.08 million and P0.27 million for the years ended December 31, 2015 and 2014, respectively.

8. Short-term Investments

This account consists of a 180-day placement amounting to P3.14 million and P3.12 million as at December 31, 2015 and 2014, respectively, which earns interest of 1.00% per annum for both 2015 and 2014.

Interest income earned from this placement, net of final tax, amounted to P5,534 and P2,889 in 2015 and 2014, respectively.

9. Available-for-Sale Financial Assets

As at December 31, 2015 and 2014, the carrying value of the Association's AFS financial assets are as follows:

	2015	2014
Government securities	**P396,250,550**	P413,184,435
Corporate debt securities	**295,701,072**	235,937,975
Equity securities	**21,748,792**	25,586,521
	P713,700,414	P674,708,931

The reconciliation of the carrying amount of the investments at the beginning and end of the year is shown below:

	2015	2014
Balance at beginning of year	**P674,708,931**	P537,020,073
Purchases during the year	**109,123,517**	294,553,946
Reclassification	**(14,622,975)**	(25,483,346)
Disposal for the year	**(32,856,345)**	(144,327,802)
Amortization of premium during the year	**(2,056,443)**	(1,105,529)
Accretion of discount during the year	**704,271**	150,617
Movement in fair value reserve	**(21,300,542)**	13,900,972
Balance at end of year	**P713,700,414**	P674,708,931

This account represents investments in government securities and corporate bonds with interest ranging from 4.00% to 8.13% in 2015 and 4.63% to 9.13% in 2014.

Interest income on AFS financial assets, net of final tax, amounted to P30.44 million and P25.78 million in 2015 and 2014, respectively. Dividend income in 2015 and 2014 amounted to P0.48 million and P0.65 million, respectively.

The fair value reserve on AFS financial assets recognized in statements of assets, liabilities and fund balance amounted to P6.58 million and P27.88 million as at December 31, 2015 and 2014, respectively.

On August 23, 2013, the Association reclassified certain AFS financial assets to HTM investments amounting to P12.28 million with a fair value reserve of P1.31 million. As at date of reclassification, the EIR was 3.99% and estimated cash flows to be recovered upon maturity of the investment in March 2027 amounted to P18.94 million.

In subsequent year, certain AFS financial assets were reclassified to HTM investments on January 29, 2014 amounting to P11.17 million with a fair value reserve of P0.34 million and EIR of 5.39% and on September 3, 2014 amounting to P14.40 million with a fair value reserve of P0.43 million and EIR of 3.32%. The estimated cash flows to be recovered upon maturity of the investments on October 2037 and July 2016 amounted to P25.02 million and P15.38 million, respectively.

On October 7, 2015, an AFS financial asset amounting to P14.29 million with a fair value reserve of P0.38 million was reclassified to HTM investments. As at date of reclassification, the EIR was 4.63% and the estimated cash flows to be recovered upon maturity of the investment on February 2032 amounted to P23.82 million.

As at December 31, 2015, the fair value of the reclassified investments amounted to P49.58 million and the unamortized fair value gain that would have been recognized in other comprehensive income if the AFS financial assets had not been reclassified amounted to P1.55 million for the year ended December 31, 2015.

The carrying amount of the reclassified financial assets amounted to P50.95 million as at December 31, 2015.

The reclassification was triggered to comply with the requirement of the IC that the Association should maintain enough reserves in the form of government securities, which are to be held to maturity, to satisfy any valid benefit claim of its members. Management believes that the Association has the capability to hold the reclassified securities until maturity.

10. Held-to-Maturity Investments

As at December 31, 2015 and 2014, the reconciliation of the carrying amount of the Association's held-to-maturity investments are as follows:

	2015	2014
Balance at beginning of year	**P84,490,843**	P69,261,548
Reclassification	**13,888,454**	25,570,486
Disposal for the year	-	(10,000,000)
Amortization of premium during the year	**(827,339)**	(341,191)
Balance at end of year	**P97,551,958**	P84,490,843

As at December 31, 2015 and 2014, this account represents the Association's investments in government securities with interest ranging from 4.15% to 7.00% per annum.

Interest income on HTM investments, net of final tax, amounted to P3.02 million and P3.53 million in 2015 and 2014, respectively.

This investment is in compliance with Section 405 of the Insurance Code and Insurance Memorandum Circular 9-2006 requiring all Microinsurance mutual benefit associations to establish a Guaranty Fund and to deposit cash or government securities equivalent to the Guaranty Fund with the Bureau of Treasury to answer for any valid benefit claim of any of its members. The HTM investments will be re-invested in similar instruments upon maturity.

11. Receivables

This account consists of:

	Note	**2015**	2014
Interest receivables		**P7,337,163**	P6,809,817
Due from related party	*12*	**5,197,277**	6,500,661
Advances to officers and employees		**1,050,347**	763,853
Others		**447,928**	3,374,554
		P14,032,715	P17,448,885

Interest receivables pertain to accrued interest of AFS financial assets and HTM investments.

12. Related Party Transactions

Parties are considered related party if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. The key management personnel of the Association are also considered to be related parties. The Association's key management personnel are composed of the senior management and directors.

Category/ Transaction	Year	*Note*	Amount of the Transaction	Outstanding Balance Due from Related Parties	Terms	Conditions
Entity Under Common Key Management						
▪ Membership fees collected	**2015**	*12a*	**P164,259,193**	**P5,197,277**	**Payable on demand; non-interest bearing**	**Unsecured; no impairment**
	2014		179,178,741	6,500,661	Payable on demand; non-interest bearing	Unsecured; no impairment
▪ Claims and benefits paid	**2015**	*12b*	**42,098,426**	**-**	**Payable on demand; non-interest bearing**	**Unsecured**
	2014		47,873,019	-	Payable on demand; non-interest bearing	Unsecured
▪ Share in reimbursable expense	**2015**	*12c*	**17,752,657**	**-**	**Payable on demand; non-interest bearing**	**Unsecured**
	2014		20,420,320	-	Payable on demand; non-interest bearing	Unsecured
TOTAL	**2015**		**P224,110,276**	**P5,197,277**		
TOTAL	2014		P247,472,080	P6,500,661		

Notes:

12a Tulay Sa Pag-unlad, Inc. (TSPI), an entity with the same key management, is a nonstock, nonprofit organization, whose mission is to provide individuals and communities the opportunity to experience fullness of life through small and micro-enterprise development. Effective January 1, 2007, TSPI collects membership fees from the Association's members.

12b TSPI also settles claims to the beneficiaries of members on behalf of the Association using the membership fees collected. In instances where the claims to be settled exceeds the amount of membership fees collected, TSPI advances the payment of claims to the beneficiaries. As at December 31, 2015 and 2014, no outstanding balance represents the settlement claims advanced by TSPI.

12c TSPI provides the promotion and marketing of the Association's products to the TSPI's microfinance clients including collection of membership fees for the said products of the Association. The Association reimburses the marketing and sales expenses incurred by TSPI in behalf of the Association. In 2015 and 2014, marketing and sales expenses amounting to P17.75 million and P20.42 million, respectively, were recognized as part of "Marketing and sales" in profit or loss.

Compensation of Key Management Personnel

Total short-term remuneration of the Association's key management personnel amounted to P3.32 million and P3.40 million for the years ended December 31, 2015 and 2014, respectively. Post-employment benefits amounted to P0.86 million and P1.19 million for the years ended December 31, 2015 and 2014, respectively.

13. Property, Equipment and Computer Software

Movements in this account are as follows:

	Office Furniture and Fixtures	Transportation and Equipment	Office Equipment	Building and Improvement	Computer Software	Total
Cost						
January 1, 2014	P4,506,347	P2,734,500	P9,388,724	P -	P2,823,366	P19,452,937
Additions	175,938	1,000,000	5,305,895	325,979	1,813,864	8,621,676
December 31, 2014	4,682,285	3,734,500	14,694,619	325,979	4,637,230	28,074,613
Additions	428,380	-	995,435	-	1,110,014	2,533,829
Disposals	(774,115)	-	(3,704,628)	-	(893,786)	(5,372,529)
December 31, 2015	**4,336,550**	**3,734,500**	**11,985,426**	**325,979**	**4,853,458**	**25,235,913**
Accumulated Depreciation and Amortization						
January 1, 2014	3,801,451	1,344,499	8,321,088	-	2,025,366	15,492,404
Depreciation and amortization for the year	423,972	493,333	1,844,483	39,602	979,158	3,780,548
December 31, 2014	4,225,423	1,837,832	10,165,571	39,602	3,004,524	19,272,952
Depreciation and amortization for the year	631,511	549,999	2,456,327	65,195	1,418,896	5,121,928
Disposals	(773,977)	-	(3,704,237)	-	(893,592)	(5,371,806)
December 31, 2015	**4,082,957**	**2,387,831**	**8,917,661**	**104,797**	**3,529,828**	**19,023,074**
Net Carrying Amounts						
December 31, 2014	P456,862	P1,896,668	P4,529,048	P286,377	P1,632,706	P8,801,661
December 31, 2015	**P253,593**	**P1,346,669**	**P3,067,765**	**P221,182**	**P1,323,630**	**P6,212,839**

14. Other Assets

This account consists of:

	2015	2014
Prepaid expenses	**P614,332**	P416,966
Fidelity bond deposits	**250,000**	252,255
Cash held by investment manager/custodian	**80,215**	73,204
	P944,547	P742,425

Prepaid expenses include unused supplies, medicard premium and prepaid reinsurance premium.

The fidelity bond deposits in 2015 and 2014 as required by the IC have a term of one (1) year expiring on June 25, 2016 and 2015, respectively.

Cash held by investment manager/custodian pertains to cash advanced to the investment manager/custodian for the acquisition of equity securities.

15. Claims Payable

This account consists of:

	2015	2014
IBNR claims	**P4,020,189**	P2,500,000
Claims due and unpaid	**990,268**	1,131,544
	P5,010,457	P3,631,544

Movements in IBNR claims are as follows:

	2015	2014
Balance at beginning of year	**P2,500,000**	P3,944,757
Increase (decrease) in IBNR	**1,520,189**	(1,444,757)
Balance at end of year	**P4,020,189**	P2,500,000

Movements in claims due and unpaid are as follows:

	2015	2014
Balance at beginning of year	**P1,131,544**	P1,091,976
Claims and benefits incurred	**41,957,150**	47,912,587
Claims and benefits paid	**(42,098,426)**	(47,873,019)
Balance at end of year	**P990,268**	P1,131,544

16. Accrued Expenses and Other Liabilities

This account consists of:

	Note	**2015**	2014
Accrued interest	*18*	**P27,234,431**	P21,423,212
Accrued expenses		**7,399,275**	5,250,169
Payables to regulatory agencies		**2,121,585**	2,270,280
		P36,755,291	P28,943,661

The Association accrued 2.00% interest on equity value received from the members as required by the IC in 2015 and 2014 (see Note 18).

Payables to regulatory agencies include payables to Bureau of Internal Revenue, Philhealth, Pag-Ibig Fund and Social Security System.

17. Aggregate Reserves

In compliance with Section 410 of the Insurance Code, the Association accumulates and maintains, out of the periodic dues collected from its members, sufficient reserves for future contractual obligations for which it holds funds in securities satisfactory to the Commissioner consisting of bonds of the Government of the Philippines, or any of its political subdivisions and instrumentalities, or other good securities as may be approved by the Commissioner. Moreover, the said reserve liability established in accordance with actuarial procedures is approved by the Commissioner.

As at December 31, 2015 and 2014, the aggregate reserves amounted to P12.41 million and P12.33 million, respectively.

On October 30, 2014, the IC released Circular Letter No. 2014-42-A, *Valuation standards for life insurance policy reserves*, requiring all life insurance companies to calculate the reserves for traditional life insurance policies with a term of one year or less using unearned premium method.

The application of the new valuation standards for life insurance policy reserves have no significant impact on the Association.

18. Equity Value Reserves

In compliance with Section 409 of the Insurance Code, the Association maintains an equity value reserves of 50% of the total mandatory membership fees collected thereon.

As at December 31, 2015 and 2014, the equity value reserves amounted to P316.44 million and P295.02 million, respectively.

Interest expense on equity value reserves amounted to P6.60 million and P5.92 million for the years ended December 31, 2015 and 2014, respectively.

Accrued interest of 2.00% on equity value reserves as at December 31, 2015 and 2014 amounted to P27.23 million and P21.42 million, respectively (see Note 16).

19. Guaranty Fund Reserves

As a Microinsurance Mutual Benefit Association, the Association is required to maintain Guaranty Fund amounting to P5.00 million, and every year thereafter, increase its Guaranty Fund by an amount equivalent to 5.00% of gross premium collections until the amount of the Guaranty Fund shall reach 25% of the required networth for existing domestic life insurance companies.

As at December 31, 2015 and 2014, the Association holds P97.55 million and P84.49 million, respectively, with the Bureau of Treasury to cover for any valid benefit claim of any of its members (see Note 10).

The amount transferred from general fund to guaranty fund reserves amounted to P8.21 million and P8.96 million in 2015 and 2014, respectively.

As at December 31, 2015 and 2014, the guaranty fund reserves amounted to P82.57 million and P74.36 million, respectively.

20. General Fund Balance

Section 408 of the Insurance Code requires a mutual benefit association to only maintain free and unassigned surplus of not more than twenty percent (20%) of its total liabilities as verified by the Commissioner. Any amount in excess shall be returned to the members by way of dividends, enhancing the equity value or providing benefits in kind and other relevant services.

On December 5, 2014, the Board of Trustees unanimously approved the recommendation of the management to appropriate the excess free and unassigned surplus based on the 2013 audited financial statements allocated as follows: 70% for members' benefits amounting to P214.94 million and 30% for capacity building amounting to P92.12 million.

On March 12, 2015, the Association submitted its application to appropriate 30% of its excess free and unassigned surplus for capacity building and research and development and on July 10, 2015, the Commissioner approved the application.

The balance of funds assigned for members' benefits amounted to P225.63 million and P214.94 million in 2015 and 2014, respectively while assigned for capacity building amounted to P98.39 million in 2015 and P92.12 million in 2014.

As at December 31, 2015 and 2014, the general fund balance amounted to P67.99 million and P60.79 million, respectively.

21. Retirement Benefit Cost

The Association has a funded, non-contributory defined benefit retirement plan covering all regular employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The actuarial valuation is made on an annual basis and the latest actuarial valuation was made as at December 31, 2015.

The following table shows reconciliation from the opening balances to the closing balances for net defined benefit asset and its components.

	Defined Benefit Obligation		Fair Value of Plan Assets		Net Defined Benefit Liability (Asset)	
	2015	2014	**2015**	2014	**2015**	2014
Balance at January 1	**P3,351,539**	P4,708,660	**P7,368,542**	P7,445,031	**(P4,017,003)**	(P2,736,371)
Included in Profit or Loss						
Current service cost	**425,622**	1,008,823	**-**	-	**425,622**	1,008,823
Interest cost	**150,485**	250,501	**349,481**	396,076	**(198,996)**	(145,575)
	576,107	1,259,324	**349,481**	396,076	**226,626**	863,248
Included in OCI						
Remeasurement loss (gain):						
Actuarial loss (gain) arising from:						
Demographic assumptions	**-**	(3,118,873)	**-**	-	**-**	(3,118,873)
Financial assumptions	**(217,962)**	430,663	**-**	65,189	**(217,962)**	365,474
Experience adjustment	**(1,245,358)**	71,765	**-**	-	**(1,245,358)**	71,765
Return on plan assets excluding interest income	**-**	-	**(606,055)**	-	**606,055**	-
Change in the effect of asset ceiling (movement in asset ceiling - interest expense on effect of asset ceiling)	**-**	-	**(2,670,451)**	(537,754)	**2,670,451**	537,754
	(1,463,320)	(2,616,445)	**(3,276,506)**	(472,565)	**1,813,186**	(2,143,880)
Others						
Contributions paid by the employer	**-**	-	**830,000**	-	**(830,000)**	-
	-	-	**830,000**	-	**(830,000)**	-
Balance at December 31	**P2,464,326**	P3,351,539	**P5,271,517**	P7,368,542	**(P2,807,191)**	(P4,017,003)

The changes in the effect of asset ceiling are as follows:

	2015	2014
Balance at beginning of period	**P847,208**	P293,823
Remeasurement gain on the change in the effect of asset ceiling	**2,670,451**	537,754
Interest expense on effect of asset ceiling	**38,040**	15,631
Balance at end of period	**P3,555,699**	P847,208

The Association's plan assets consist of the following:

	2015	2014
Cash	**P212**	P167
Unit investment trust funds	**8,844,525**	7,250,784
Mutual funds	**-**	981,377
Trust fee payable	**(17,521)**	(16,578)
	P8,827,216	P8,215,750

The Association is not required to contribute to the defined benefit retirement plan for 2016. The following were the principal actuarial assumptions at the reporting date:

	2015	2014
Discount rate	**5.17%**	4.49%
Future salary growth	**5.00%**	5.00%

Assumptions regarding future mortality have been based on the 2001 CSO Table - Generational mortality table. The current members' longevity is at age 30.50.

The weighted-average duration of the defined benefit obligation is 6.17 years and 26.80 years as at December 31, 2015 and 2014, respectively.

Maturity analysis of the benefit payments:

	2015				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	More than 5 Years
Defined benefit obligation	P2,464,326	P2,984,273	P2,025,823	P139,552	P818,898

Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	Defined Benefit Obligation	
	Increase	Decrease
Discount rate (1% movement)	(P272,961)	P331,367
Future salary growth (1% movement)	302,160	(254,701)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

These defined benefit plans expose the Association to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

The Association is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund are at the Association's discretion. However, in the event a benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable from the Association to the Retirement Fund.

22. Supplementary Information Required by the Bureau of Internal Revenue (BIR) Based on Revenue Regulations (RR) No. 15-2010

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRSs.

The following is the tax information required for the taxable year ended December 31, 2015:

Based on RR No. 15-2010

A. Withholding Taxes

Tax on compensation and benefits	**P2,026,735**
Expanded withholding taxes	**112,776**
	P2,139,511

B. All Other Taxes (Local and National)

Other taxes paid during the year recognized under "Taxes and licenses" account under General and Administrative Expenses	
License and permit fees	**P101,055**

C. Tax Contingencies

The Association has no deficiency tax assessment or any tax case, litigation, and/or prosecution in courts or bodies outside the BIR as at December 31, 2015.

R.G. Manabat & Co.
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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Trustees and Members
TSPI Mutual Benefit Association, Inc.
3rd Floor, TSPI Building, 2363 Antipolo St.
Guadalupe Nuevo, Makati City

We have audited the accompanying financial statements of TSPI Mutual Benefit Association, Inc. (the "Association"), a nonstock, nonprofit organization, as at and for the year ended December 31, 2015, on which we have rendered our report dated April 1, 2016.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Association taken as a whole. The supplementary information included in the schedule of Philippine Financial Reporting Standards is the responsibility of the Association's management.

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Dennis I. Ilan

DENNIS I. ILAN
Partner
CPA License No. 089564
IC Accreditation No. SP-2014/023-R, Group A, valid until August 26, 2017
SEC Accreditation No. 1182-AR-1, Group A, valid until April 30, 2018
Tax Identification No. 161-313-405
BIR Accreditation No. 08-001987-28-2014
Issued September 26, 2014; valid until September 25, 2017
PTR No. 5320748MD
Issued January 4, 2016 at Makati City

April 1, 2016
Makati City, Metro Manila

TSPI Mutual Benefit Association, Inc.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards - Repeated Application of PFRS 1			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Borrowing Cost Exemption			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: PFRS version that a first-time adopter can apply			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Meaning of 'vesting condition'			✓
PFRS 3 (Revised)	Business Combinations			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Classification and measurement of contingent consideration			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope exclusion for the formation of joint arrangements			✓
PFRS 4	Insurance Contracts	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Changes in method for disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: 'Continuing involvement' for servicing contracts			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Offsetting disclosures in condensed interim financial statements			✓
PFRS 8	Operating Segments			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Disclosures on the aggregation of operating segments			✓
PFRS 9	Financial Instruments		✓*	
	Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39			✓
PFRS 9 (2014)	Financial Instruments		✓*	
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓

These standards will be effective subsequent to January 1, 2015 and were not adopted early by the Company.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Measurement of short-term receivables and payables	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope of portfolio exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures			✓
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of Financial Statements - Comparative Information beyond Minimum Requirements			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes			✓
	Amendments to PAS 1: Disclosure Initiative		✓*	
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors			✓
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes			✓
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Property, Plant and Equipment - Classification of Servicing Equipment			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
PAS 17	Leases			✓
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Discount rate in a regional market sharing the same currency - e.g. the Eurozone			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Definition of 'related party'	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	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			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓

**These standards will be effective subsequent to January 1, 2015 and were not adopted early by the Company.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
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			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Financial Instruments Presentation - Income Tax Consequences of Distributions			✓
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Interim Financial Reporting - Segment Assets and Liabilities			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Disclosure of information "elsewhere in the interim financial report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 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 Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓

*These standards will be effective subsequent to January 1, 2015 and were not adopted early by the Company.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 40	Investment Property			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)			✓
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: 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 Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 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	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
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.			✓

**These standards will be effective subsequent to January 1, 2015 and were not adopted early by the Company.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓
Philippine Interpretations Committee Questions and Answers				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements			✓
PIC Q&A 2007-01-Revised	PAS 1.103(a) - Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]			✓
PIC Q&A 2007-03	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2007-04	PAS 101.7 - Application of criteria for a qualifying NPAE			✓
PIC Q&A 2008-01-Revised	PAS 19.78 - Rate used in discounting post-employment benefit obligations	✓		
PIC Q&A 2008-02	PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20			✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2009-02	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines	✓		
PIC Q&A 2010-01	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines	✓		
PIC Q&A 2010-02	PAS 1R.16 - Basis of preparation of financial statements	✓		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan			✓
PIC Q&A 2011-01	PAS 1.10(f) - Requirements for a Third Statement of Financial Position			✓
PIC Q&A 2011-02	PFRS 3.2 - Common Control Business Combinations			✓
PIC Q&A 2011-03	Accounting for Inter-company Loans			✓
PIC Q&A 2011-04	PAS 32.37-38 - Costs of Public Offering of Shares			✓
PIC Q&A 2011-05	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost			✓
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of Investment properties - asset acquisition or business combination?			✓

**These standards will be effective subsequent to January 1, 2015 and were not adopted early by the Company.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PIC Q&A 2012-01	PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			✓
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✓
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
PIC Q&A 2013-02	Conforming Changes to PIC Q&As - Cycle 2013	✓		
PIC Q&A 2013-03 (Revised)	PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law			✓

**These standards will be effective subsequent to January 1, 2015 and were not adopted early by the Company.*

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY)S.S.

AFFIDAVIT

We, **MA. LUZ A. PLANAS**, and **FLORENCIA G. TARRIELA**, both of legal age, Filipinos, with the same office address at *3rd Floor, Tulay sa Pag-unlad Inc. (TSPI) Bldg., 2363 Antipolo St., Guadalupe Nuevo, Makati City*, after having been sworn according to law, hereby depose and state:

1. We are both Trustees being the Chairman and Treasurer, respectively of TSPI Mutual Benefit Association Inc., a non-stock, non-profit organization duly organized and existing under and by virtue of the laws of the Republic of the Philippines with principal office address at the 3rd Floor, Tulay sa Pag-unlad Inc. (TSPI) Bldg., 2363 Antipolo St., Guadalupe Nuevo, Makati City;

2. Based on the records of the Organization, the specific receipts and disbursements of its funds for the year ended December 31, 2015, are shown in the schedule of receipts and disbursements;

3. We hereby attest that the foregoing statements are correct and in accordance with the records of the Organization.

IN WITNESS WHEREOF, we have hereunto set our hands this APR 2 7 2016.

MA. LUZ A. PLANAS	**FLORENCIA G. TARRIELA**
Chairman	Treasurer

SUBSCRIBED AND SWORN TO BEFORE ME in MAKATI CITY, this APR 2 7 2016, Affiants exhibiting to me SSS ID No. 03-1349190-8 and Passport ID No. EB6620757 issued on October 23, 2012 at DFA Manila, respectively as competent evidence of their identities.

ATTY. JUANCHO DAVID R. TABLANG
NOTARY PUBLIC
Notary Public for Makati City
Commission No. M-70 until December 31, 2016
PTR No. 5413445: 03/07/2016 / Makati City
IBP No. 0981941 : 1/05/2015 / Makati City
Roll of Attorney No. 42002
MCLE Compliance No. IV-0023768
2016 Magsaysay St.,
Brgy. Guadalupe Nuevo, Makati City

Doc. No. 219;
Page No. 44;
Book No. LXXXIV;
Series of 2016.

SWORN STATEMENT

This is to certify that the following schedules for the year ended 31 December 2015 are, to the best of our knowledge, complete and accurate:

1. Schedule of Receipts or Income Other Than Contributions and Donations
2. Schedule of Contributions and Donations
3. Schedule of Disbursements and
4. Details of Material Disbursements

Signature________________
EDUARDO A. MENDOZA – President & CEO

Signature________________
NELIA A. NAYVE – Deputy Director – Finance & Admin.

Signed this __th day of April 2016

SUBSCRIBED AND SWORN TO BEFORE ME this APR 1 2 2016, at MAKATI CITY, affiants exhibiting the following:

EDUARDO A. MENDOZA	-	Passport #EC5036718 DFA NCR East 15 Aug 2015 to 14 Aug 2020
NELIA A. NAYVE	-	Passport #EC0997445 Manila 05 May 2014 to 04 May 2019

Notary Public

ATTY. JUANCHO DAVID R. TABLANG
Notary Public for Makati City
Commission No. M-70 until December 31, 2016
PTR No. 5413445: 03/07/2016 / Makati City
IBP No. 0981941 : 1/05/2015 / Makati City
Roll of Attorney No. 42002
MCLE Compliance No. IV-0023768
2016 Magsaysay St.,
Brgy. Guadalupe Nuevo, Makati City

Doc. No. 79;
Page No. 16;
Book No. CXXXIII;
Series of 2016.

TSPI MUTUAL BENEFIT ASSOCIATION, INC.
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
For the year ended December 31, 2015

RECEIPTS	AMOUNT
Members' Fees/Dues	164,259,193
Investment and Other Income	
Interest on Deposits	101,345
Interest on Treasury Bills	27,762,272
Interest on Bonds	14,562,397
Interest on Short-Term Investments	6,865
Interest on Other Loans	50,814
Dividends Income	475,451
Collection of Receivables	
Housing/ Car Loan	115,831
Maturity Placements - Treasury Bills	34,261,961
Other Receipts - Surcharge Fees	41
Accounts Receivable/Payable	4,364,204
TOTAL RECEIPTS	**245,960,373**

DISBURSEMENTS	AMOUNT
Benefits Paid - Death Benefits	42,098,426
Operating Expense	77,330,019
Placement - Treasury Bills	109,123,517
Loan Releases - Housing Loan	35,073
Purchase of :	
Fixed Assets	428,381
Electronic Data Processing	2,105,448
Other Disbursements	
Tax on Investment Income	8,879,680
Prepaid Taxes	202,122
Refund of Equity Value	11,937,836
TOTAL DISBURSEMENTS	**252,140,502**

Net Receipts	(6,180,129)
Add: Cash Balance Previous Year	23,197,600
TOTAL CASH FUND CURRENT YEAR	**17,017,471**

Nfuel

NELIA A. NAYVE
Deputy Director- Finance & Admin.

Annex "A"

SCHEDULE OF CONTRIBUTIONS/DONATIONS

Name of Foundation/Organization	SEC Registration No.
TSPI MUTUAL BENEFIT ASSOCIATION, INC.	**200508617**
For the year ended	**December 31, 2015**

Part I	Contributors/Donors

(a) No.	(b) Name and Address	(c) Nationality	(d) Total Contributions	(e) Type of Contribution
1	NIL		NIL	Cash ☑ Noncash ☐ (Complete Part II if there is a noncash contribution)
2	NIL		NIL	Cash ☑ Noncash ☐ (Complete Part II if there is a noncash contribution)
3	NIL		NIL	Cash ☑ Noncash ☐ (Complete Part II if there is a noncash contribution)
4	NIL		NIL	Cash ☐ Noncash ☐ (Complete Part II if there is a noncash contribution

A contributor or donor includes individuals, partnerships, corporations, associations, trusts and organizations.
If **supranational organization**, indicate place of principal office or domicile.
Contributions or donations reportable on the schedule are contributions, donations, grants, bequests, devises, and gifts of money or property, amounting to P100,000.00 or more from each contributor or donor.

SCHEDULE OF CONTRIBUTIONS/DONATIONS

Name of Foundation/Organization **TSPI MUTUAL BENEFIT ASSOCIATION, INC.**	SEC Registration No. **200508617**
For the year ended	**December 31, 2015**

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	NIL	NIL	NIL
2	NIL	NIL	NIL
3	NIL	NIL	NIL
4	NIL	NIL	NIL

Signed under oath by the following:

Signature ____________________
EDUARDO A. MENDOZA
President & CEO

Signature ____________________
NELIA A. NAYVE
Deputy Director – Finance & Admin.

Signed this ___th day April 2016