

20. Retirement Benefit Cost

The Association has a funded, noncontributory 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 by an independent actuary 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, 2018.

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)	
	2018	2017	2018	2017	2018	2017
Balance at January 1	P5,974,705	P3,087,224	P8,107,949	P6,710,834	(P2,133,244)	(P3,623,610)
Included in Profit or Loss						
Current service cost	695,495	664,779	-	-	695,495	664,779
Interest cost	310,713	156,923	360,546	364,620	(49,833)	(207,697)
	1,006,208	821,702	360,546	364,620	645,662	457,082
Included in OCI						
Remeasurement loss (gain):						
Actuarial loss (gain) arising from:						
Demographic assumptions	-	-	-	-	-	-
Financial assumptions	(929,708)	(48,870)	-	-	(929,708)	(48,870)
Experience adjustment	1,157	2,114,649	-	-	1,157	2,114,649
Return on plan assets excluding interest income	-	-	(1,228,907)	(15,655)	1,228,907	15,655
Change in the effect of asset ceiling (movement in asset ceiling - interest expense on effect of asset ceiling)	-	-	1,892,797	123,150	(1,892,797)	(123,150)
	(928,551)	2,065,779	663,890	107,495	(1,592,441)	1,958,284
Others						
Contributions paid by the employer	-	-	-	925,000	-	(925,000)
Benefits paid	(2,350,000)	-	(2,350,000)	-	-	-
	(2,350,000)	-	(2,350,000)	925,000	-	(925,000)
Balance at December 31	P3,702,362	P5,974,705	P6,782,385	P8,107,949	(P3,080,023)	(P2,133,244)

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

	2018	2017
Balance at beginning of year	P3,061,392	P3,030,502
Remeasurement gain on the change in the effect of asset ceiling	(1,892,797)	(123,150)
Interest expense on effect of asset ceiling	159,207	154,040
Balance at end of year	P1,327,802	P3,061,392

The Association's plan assets consist of the following:

	2018	2017
Unit investment trust funds	P6,737,761	P9,471,235
Mutual funds	1,371,460	1,697,821
Cash	966	285
	P8,110,187	P11,169,341

The table below shows the rollforward analysis of remeasurement gain (loss) on retirement asset account presented under statements of assets, liabilities and fund balance as at December 31, 2018 and 2017.

	2018	2017
Beginning balance	(P1,401,590)	P556,694
Remeasurement gain (loss) of retirement asset	1,592,441	(1,958,284)
	P190,851	(P1,401,590)

The Association is not required to contribute to the defined benefit retirement plan for 2018. The following were the principal actuarial assumptions at the reporting date:

	2018	2017
Discount rate	7.63%	5.20%
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 30.26 in 2018.

The weighted-average duration of the defined benefit obligation is 19.70 years and 11.96 years as at December 31, 2018 and 2017, respectively.

Maturity analysis of the benefit payments:

	2018				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	More than 5 Years
Defined benefit obligation	P3,702,362	P4,197,080	P1,420,677	P600,514	P2,175,889

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)	(P288,768)	P338,469
Future salary growth (1% movement)	305,930	(265,320)

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 plan assets are at the Association's discretion. However, in the event a benefit claim arises and the plan assets is insufficient to pay the claim, the shortfall will then be due and payable from the Association to the plan assets.

21. Salaries and Other Employee Benefits

The account consists of:

	<i>Note</i>	2018	2017
Salaries		P25,049,095	P25,399,609
Bonuses		7,901,219	8,463,337
Contributions to SSS, Philhealth, and Pag-ibig		2,240,220	2,133,060
Employees' leave conversion		1,183,048	1,162,612
Retirement expense	20	645,662	457,082
Staff training expenses		341,072	292,475
Others		2,576,524	3,502,985
	25	P39,936,840	P41,411,160

Salaries pertains to the basic salaries of employees not directly related to underwriting of policies and claims handling activities (support employees) of the Association.

Bonuses consists of the 13th month pay and other bonuses paid to the support employees.

Others includes other benefits granted to support employees.

22. Other Direct Costs

This account consists of:

	<i>Note</i>	2018	2017
Collection fees	24, 25	P39,509,035	P29,886,992
Membership enrollment and marketing fees	25	11,593,015	14,092,525
Direct salaries and benefits expenses	25	10,600,073	9,551,889
		P61,702,123	P53,531,406

Collection fees represents the amount paid to TSPI for collection services as stated in the Memorandum of Agreement between the two (2) parties (see Note 24).

Membership enrollment and marketing fees pertains to the amount paid to insurance officers in marketing the product, including member mobilization, and production of policy forms and promotional materials of the Association.

Direct salaries and benefits expenses represents the salaries of officers and employees directly related to the underwriting of policies and claims handling activities of the Association.

23. Maturity Analysis of Financial and Non-financial Assets and Liabilities

The following table presents the assets and liabilities as at December 31, 2018 and 2017 analyzed according to when they are expected to be recovered or settled within one year and beyond one year from the reporting date:

		2018		
	Note	Due Within One Year	Due Beyond One Year	Total
Financial Assets				
Cash and cash equivalents	7	P13,877,194	P -	P13,877,194
Short-term investments	8	3,218,401	-	3,218,401
AFS financial assets	10	-	796,723,700	796,723,700
HTM investments	11, 18	-	183,987,885	183,987,885
Receivables	9	7,512,272	-	7,512,272
Other assets		330,778	-	330,778
		24,938,645	980,711,585	1,005,650,230
Non-financial Assets				
Property, equipment and computer software - net	12	4,157,244	-	4,157,244
Investment property	13	-	56,000,000	56,000,000
Retirement asset	20	3,080,023	-	3,080,023
Other assets		636,566	-	636,566
		P32,812,478	P1,036,711,585	P1,069,524,063
Financial Liabilities				
Accrued expenses and other liabilities	14	P27,535,228	P -	P27,535,228
Claims payable	15	134,912,396	-	134,912,396
Due to related party	24	34,770,038	-	34,770,038
Equity value reserves	17	75,511,008	-	75,511,008
		272,728,670	-	272,728,670
Non-financial Liabilities				
Accrued expenses and other liabilities	14	3,228,397	-	3,228,397
Aggregate reserves	16	53,536,552	-	53,536,552
		P329,493,619	P -	P329,493,619

		2017		
	Note	Due Within One Year	Due Beyond One Year	Total
Financial Assets				
Cash and cash equivalents	7	P45,314,459	P -	P45,314,459
Short-term investments	8	3,192,525	-	3,192,525
AFS financial assets	10	-	751,173,471	751,173,471
HTM investments	11, 18	-	184,515,887	184,515,887
Receivables	9	6,732,349	-	6,732,349
Due from related party		8,197,755	-	8,197,755
Other assets		88,318	-	88,318
		63,525,406	935,689,358	999,214,764
Non-financial Assets				
Property, equipment and computer software - net	12	5,872,085	-	5,872,085
Retirement asset	20	2,133,244	-	2,133,244
Other assets		1,047,099	-	1,047,099
		P72,577,834	P935,689,358	P1,008,267,192
Financial Liabilities				
Accrued expenses and other liabilities	14	P20,292,756	P -	P20,292,756
Claims payable	15	106,813,789	-	106,813,789
Equity value reserves	17	89,918,184	-	89,918,184
		217,024,729	-	217,024,729
Non-financial Liabilities				
Accrued expenses and other liabilities	14	4,232,592	-	4,232,592
Aggregate reserves	16	54,794,197	-	54,794,197
		P276,051,518	P -	P276,051,518

24. 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 (to) Related Parties	Terms	Conditions
Entity under Common Key Management						
▪ Members' contributions and premiums collected	2018	24a	P262,333,419	P14,598,767	Payable on demand; non-interest bearing	Unsecured; no impairment
	2017	24a	286,436,025	19,008,710		
▪ Claims and benefits paid	2018	24b	70,132,063	(14,368,805)	Payable on demand; non-interest bearing	Unsecured
	2017	24b	50,926,278	(10,811,955)		
▪ Collection fees	2018	24c, 22	39,509,035	-	Payable on demand; non-interest bearing	Unsecured
	2017	24c, 22	29,886,992	-		
▪ Acquisition of investment property	2018	13	56,000,000	(35,000,000)	Payable on demand; non-interest bearing	Unsecured
	2017		-	-		
TOTAL	2018			(P34,770,038)		
TOTAL	2017			P8,197,755		

Outstanding receivables from and payables to related parties are expected to be settled in cash.

- 24a. Tulay Sa Pag-unlad, Inc. (TSPI), an entity with the same key management as the Association, 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 members' contributions and premiums from the Association's members.
- 24b. TSPI also settles claims to the beneficiaries of members on behalf of the Association using the members' contributions and premiums collected. In instances where the claims to be settled exceeds the amount of members' contributions and premiums collected, TSPI advances the payment of claims to the beneficiaries. As at December 31, 2018 and 2017, the outstanding balance of P14.37 million and P10.81 million, respectively, represents the settlement claims advanced by TSPI.
- 24c. TSPI provides the promotion and marketing of the Association's products to the TSPI's microfinance clients including collection of members' contributions and premiums for the said products of the Association. The Association reimburses the marketing and sales expenses incurred by TSPI on behalf of the Association. Effective July 1, 2016, TSPI charges the Association seven percent (7%) service fee based on members' contributions and premiums collected for the services rendered for the Association.

However, based on the Amendment to the Memorandum of Agreement dated September 27, 2017, the Association agreed to pay a collection fee of 15% of premiums collected.

In 2018 and 2017, marketing and sales expenses amounting to P39.51 million and P29.89 million, respectively, were recognized as part of "Collection fees" in Other direct costs account in the Statement of Comprehensive Income (see Notes 22 and 25).

Compensation of Key Management Personnel

Total short-term remuneration of the Association's key management personnel amounted to P5.80 million and P7.64 million for the years ended December 31, 2018 and 2017, respectively and are recorded under "Salaries and other employee benefits" in profit or loss. Post-employment benefits amounted to P3.87 million and P1.84 million for the years ended December 31, 2018 and 2017, respectively.

25. Reclassifications

The Association reclassified certain accounts in the statement of comprehensive income for the period ended December 31, 2017 to be consistent with the nature of the accounts.

	Note	Before Reclassifications	Reclassifications	After Reclassifications
General and administrative expenses:				
Marketing and sales		P43,979,517	(P43,979,517)	P -
Salaries and other employee benefits	21	50,963,049	(9,551,889)	41,411,160
Claims benefits and other costs:				
Collection fees	22	-	29,886,992	29,886,992
Membership enrollment and marketing fees	22	-	14,092,525	14,092,525
Direct salaries and benefits expenses	22	-	9,551,889	9,551,889
		P94,942,566	P -	P94,942,566

The above reclassifications had no material effect on the information in the statements of assets, liabilities and fund balance, and statements of comprehensive income as at and for the year ended December 31, 2017. Accordingly, management did not present the statements of assets, liabilities and fund balance at the beginning of the current comparative period.

26. 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 PFRS, 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 PFRS.

The following is the tax information required for the taxable year ended December 31, 2018:

A. Withholding Taxes

Expanded withholding taxes	P3,133,260
Tax on compensation and benefits	1,172,193
	P4,305,453

B. All Other Taxes (Local and National)

<i>Other taxes paid during the year recognized under "Taxes and licenses" account under General and Administrative Expenses</i>	
License and permit fees	P112,878

C. Tax Contingencies

On October 25, 2017, the Association received a Letter of Authority from BIR RDO No. 050-South Makati regarding the examination of the Association's books of accounts for the period from January 1, 2016 to December 31, 2016. The Notice of Informal Conference was received on November 29, 2018. As of date, there is no Preliminary Assessment Notice yet.



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**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Board of Trustees and Members
TSPI Mutual Benefit Association, Inc.
3rd Floor, Tulay sa Pag-unlad, Inc. (TSPI) Bldg.
2363 Antipolo St., Guadalupe Nuevo
Makati City

We have audited the financial statements of TSPI Mutual Benefit Association, Inc. (the Association) as at and for the year ended December 31, 2018, on which we have rendered our report April 8, 2019.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Association taken as a whole. The following schedules of supplementary information are the responsibility of the Association's management:

- (a) Schedule of Philippine Financial Reporting Standards; and
- (b) Schedule of Receipts and Disbursements According to their Sources and Activities.

These supplementary information are presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and are not required parts of the basic financial statements. Such supplementary information have been subjected to the auditing procedures applied in the audit 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.

Vanessa P. Macamos

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Partner
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IC Accreditation No. F-2017-017-O, valid until November 26, 2020
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Tax Identification No. 920-961-311
BIR Accreditation No. 08-001987-38-2016
Issued December 16, 2016; valid until December 15, 2019
PTR No. MKT 7333621
Issued January 3, 2019 at Makati City

April 8, 2019
Makati City, Metro Manila

TSPI MUTUAL BENEFIT ASSOCIATION, INC.
LIST OF EFFECTIVE STANDARDS AND INTERPRETATIONS SCHEDULE OF
ALL PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) [WHICH
CONSISTS OF PFRS, PHILIPPINE ACCOUNTING STANDARDS (PAS) AND
PHILIPPINE INTERPRETATIONS} EFFECTIVE AND NOT EFFECTIVE
AS AT DECEMBER 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
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			✓
	Annual Improvements to PFRSs 2014 -2016 Cycle: Deletion of short-term exemptions for first-time adopters			✓
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'			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
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			✓
	Annual Improvements to PFRSs 2015-2017 Cycle: Amendments to PFRS 3 and PFRS 11 - Previously held interest in a joint operation			✓
	Amendments to PFRS 3: Definition of a Business			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PFRS 4	Insurance Contracts	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts	✓		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Annual Improvements to PFRSs 2012 -2014 Cycle: Changes in method for disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
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 (2014)		✓ ²	
	Amendments to PFRS 9: Prepayment Features with Negative Compensation			✓

¹ The Association will adopt these new and/or amendment standards on January 1, 2019.

² The Association availed the temporary exemption.

³ The Interpretations are approved by PIC and FRSC but pending approval of BOA.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
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			✓
	Annual Improvements to PFRSs 2015-2017 Cycle: Amendments to PFRS 3 and PFRS 11 - Previously held interest in a joint operation			✓
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			✓
	Annual Improvements to PFRSs 2014 -2016 Cycle: Clarification of the scope of the standard			✓
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			✓
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases		✓ ¹	
PFRS 17	Insurance Contracts		✓ ⁴	

¹ The Association will adopt these new and/or amendment standards on January 1, 2019.

² The Association availed the temporary exemption.

³ The Interpretations are approved by PIC and FRSC but pending approval of BOA.

⁴ The Association will adopt this new standard on January 1, 2013.

⁵ The Association will adopt this new standard on January 1, 2020.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
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	✓		
	Amendments to PAS 1 and PAS 8: Definition of Material		✓ ⁵	

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