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

Bureau of Internal Revenue
50 - South Makati
2018
CERTIFIED TRUE COPY
FROM THE ORIGINAL
AMALIA M. MONTERES
COLLECTION OFFICER

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.

TSPI MUTUAL BENEFIT ASSOCIATION, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management **TSPI Mutual Benefit Association, Inc.** (the "Association"), is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free form material misstatement, whether due to fraud or error.

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

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

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

Signature: ______________________
NELIA A. NAYVE – Director-Finance & Admin

Signed this day____ of April 2018

MAY 1 1 2018

Bureau of Internal Revenue
RDO 50 - South Makati
CERTIFIED TRUE COPY
FROM THE ORIGINAL
AMALIA M. PONTERES
COLLECTION OFFICER

MAY 1 1 2018

SUBSCRIBED AND SWORN TO BEFORE ME this APR 1 8 2018 at MAKATI CITY
Affiants exhibiting the following:

MA. LUZ A. PLANAS	-	OSCA ID #2620957
FLORENCIA G. TARRIELA	-	OSCA ID#33431 PHIC ID# 19-051371152-6
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

ATTY. JUANCHO DAVID R. TABLANG
Notary Public for Makati City
Commission No. M-63 until December 31, 2018
PTR No. 6629103 : 01/11/2018 / Makati City
IBP No. 021594 : 01/09/2018 / Makati City
Roll of Attorney: 42002
MCLE Compliance No. V-0024262
2016 Magsaysay St.,
Brgy. Guadalupe Nuevo, Makati City

Doc. No. 427;
Page No. 86;
Book No. CCIV;
Series of 2018

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

FINANCIAL STATEMENTS
December 31, 2017 and 2016

KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
Email ph-inquiry@kpmg.com.ph

REPORT OF INDEPENDENT AUDITORS

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of TSPI Mutual Benefit Association, Inc. (the Association), which comprise the statements of assets, liabilities and fund balance as at December 31, 2017 and 2016, 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 significant accounting policies and other explanatory information.

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

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Association to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 26 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 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

VANESSA P. MACAMOS
Partner
CPA License No. 0102309
IC Accreditation No. F-2017-017-O, valid until November 26, 2020
SEC Accreditation No. 1619-A, Group A, valid until March 15, 2020
Tax Identification No. 920-961-311
BIR Accreditation No. 08-001987-38-2016
Issued December 16, 2016; valid until December 15, 2019
PTR No. 6615139MD
Issued January 3, 2018 at Makati City

April 27, 2018
Makati City, Metro Manila

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

	Note	December 31 2017	2016
ASSETS			
Cash and cash equivalents	7	**P45,314,459**	P15,026,605
Short-term investments	8	**3,192,525**	3,166,857
Receivables	9	**6,732,349**	7,037,006
Due from related party	12	**8,197,755**	-
Available-for-sale (AFS) financial assets	10	**751,173,471**	761,178,427
Held-to-maturity (HTM) investments	11, 19	**184,515,887**	97,676,722
Property, equipment and computer software-net	13	**5,872,085**	4,281,852
Retirement asset	21	**2,133,244**	3,623,610
Other assets	14	**1,135,417**	2,135,085
		P1,008,267,192	P894,126,164
LIABILITIES AND FUND BALANCE			
Liabilities			
Accrued expenses and other liabilities	16, 18	**P24,525,348**	P39,860,632
Claims payable	15	**106,813,789**	4,154,358
Aggregate reserves	17	**54,794,197**	13,132,536
Equity value reserves	18	**89,918,184**	329,894,308
Due to related party	12	**-**	1,068,209
Total Liabilities		**276,051,518**	388,110,043
Fund Balance			
Guaranty fund reserves	19	**104,458,625**	90,136,823
General fund balance	20	**58,085,811**	74,122,967
Funds assigned for members' benefits	20	**421,204,142**	237,459,898
Funds assigned for capacity building	20	**188,169,987**	104,320,428
Remeasurement of retirement asset	21	**(1,401,590)**	556,694
Fair value reserve on AFS financial assets	10	**(31,005,816)**	(623,997)
Fair value reserve on HTM investments to be amortized in profit or loss	10	**(7,295,485)**	43,308
Total Fund Balance		**732,215,674**	506,016,121
		P1,008,267,192	P894,126,164

See Notes to the Financial Statements.

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

		Years Ended December 31	
	Note	**2017**	2016
NET MEMBERS' CONTRIBUTIONS AND PREMIUMS			
Members' contributions and premiums	*12*	**P286,436,025**	P151,267,356
Members' contributions and premiums ceded to reinsurers		**(291,449)**	(225,500)
		286,144,576	151,041,856
CLAIMS AND BENEFITS EXPENSES			
Claims and benefits	*15*	**53,087,373**	39,286,339
Increase in aggregate reserves	*17*	**41,661,661**	719,954
Increase in equity value reserves	*18*	**43,498,336**	31,735,310
		138,247,370	71,741,603
GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries and other employee benefits	*12, 21, 22*	**50,963,049**	48,043,133
Marketing and sales	*12, 23, 25*	**43,667,989**	17,961,564
Planning, meetings and conferences		**4,241,974**	2,895,507
Depreciation and amortization	*13*	**3,733,772**	4,085,036
Repairs and maintenance		**2,830,382**	1,396,528
Office supplies		**1,690,104**	1,676,057
Communication, light and water		**1,378,486**	827,625
Professional fees		**662,978**	771,981
Transportation and travel		**474,373**	297,938
Advertising and promotion		**311,528**	271,122
Dues and fees		**186,511**	216,715
Representation and entertainment		**87,861**	67,376
Donation		**39,283**	50,000
Taxes and licenses		**20,819**	10,725
Miscellaneous		**669,449**	705,724
		110,958,558	79,277,031
OPERATING INCOME		**36,938,648**	23,222
OTHER INCOME (EXPENSE)			
Interest income	*7, 8, 9, 10, 11*	**35,768,598**	33,335,921
Dividend income	*10*	**480,601**	450,343
Gain on sale of investments	*10*	**86,997**	313,171
Other income (expense) - net		**(12,918)**	155,976
Interest expense	*18*	**(762,473)**	(808,419)
		35,560,805	33,446,994
NET INCOME		**72,499,453**	33,470,216

Forward

	Note	2017	2016
		Years Ended December 31	
OTHER COMPREHENSIVE INCOME			
Item that may be reclassified to profit or loss			
Net change in fair value of reserve on AFS financial assets	*10*	**(P30,381,819)**	(P7,204,013)
Item that will not be reclassified to profit or loss			
Remeasurement gain (loss) of retirement asset	*21*	**(1,958,284)**	166,025
		(32,340,103)	(7,037,988)
TOTAL COMPREHENSIVE INCOME		**P40,159,350**	P26,432,228

See notes to the Financial Statements.

MAY 11 2018

Bureau of Internal Revenue
RDO 50 - South Makati

CERTIFIED TRUE COPY
FROM THE ORIGINAL

AMALIA M. PONTERES
COLLECTION OFFICER

TSPI MUTUAL BENEFIT ASSOCIATION, INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Guaranty Fund Reserves (Note 19)	General Fund Balance (Note 20)	Funds Assigned for Members' Benefits (Note 20)	Funds Assigned for Capacity Building (Note 20)	Remeasurement of Retirement Asset (Note 21)	Fair Value Reserve on Available-for-Sale Financial Assets (Note 10)	Fair Value Reserve on Held-to-Maturity Investments to be Amortized in Profit or Loss (Note 11)	Total
Balance as at December 31, 2016	P90,136,823	P74,122,967	P237,459,898	P104,320,428	P556,694	(P623,997)	P43,308	P506,016,121
Net income for the year	-	72,499,453	-	-	-	-	-	72,499,453
Other comprehensive income:								
Net change in fair value reserve of available-for-sale financial assets	-	-	-	-	-	(30,381,819)	-	(30,381,819)
Remeasurement of retirement asset	-	-	-	-	(1,958,284)	-	-	(1,958,284)
Total comprehensive income for the year	-	72,499,453	-	-	(1,958,284)	(30,381,819)	-	40,159,350
Transfer to guaranty fund	14,321,802	(14,321,802)	-	-	-	-	-	-
Appropriation of equity value and interest (Notes 16 and 18)	-	-	123,219,556	52,808,381	-	-	-	176,027,937
Transfer to funds assigned for members benefits and for capacity building	-	(103,470,594)	72,429,416	31,041,178	-	-	-	-
Transfer of forfeited equity value and interest (Notes 16 and 18)	-	29,255,787	-	-	-	-	-	29,255,787
Utilization of members' benefits fund	-	-	(11,904,728)	-	-	-	-	(11,904,728)
Amortization of fair value reserve to be amortized to profit or loss	-	-	-	-	-	-	(7,338,793)	(7,338,793)
	14,321,802	(88,536,609)	183,744,244	83,849,559	-	-	(7,338,793)	186,040,203
Balance as at December 31, 2017	P104,458,625	P58,085,811	P421,204,142	P188,169,987	(P1,401,590)	(P31,005,816)	(P7,295,485)	P732,215,674

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)	Remeasurement of Retirement Asset (Note 21)	Fair Value Reserve on Available-for-Sale Financial Assets (Note 10)	**Fair Value** Reserve on Held-to-Maturity Investments to be Amortized in Profit or Loss (Note 11)	Total
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
Net income for the year	-	33,470,216	-	-	-	-	-	33,470,216
Other comprehensive income:								
Changes in fair value reserve of available-for-sale financial assets	-	-	-	-	-	(7,204,013)	-	(7,204,013)
Change in actuarial gain	-	-	-	-	166,025	-	-	166,025
Total comprehensive income for the year	-	33,470,216	-	-	166,025	(7,204,013)	-	26,432,228
Transfer to guaranty fund	7,563,368	(7,563,368)	-	-	-	-	-	-
Transfer to funds assigned for members' benefits	-	(13,838,449)	13,838,449	-	-	-	-	-
Transfer to funds assigned for capacity building	-	(5,930,766)	-	5,930,766	-	-	-	-
Utilization of members' benefits fund	-	-	(2,006,015)	-	-	-	-	(2,006,015)
Amortization of fair value reserve to be amortized to profit or loss	-	-	-	-	-	-	(62,383)	(62,383)
	7,563,368	(27,332,583)	11,832,434	5,930,766	-	-	(62,383)	(2,068,398)
Balance as at December 31, 2016	P90,136,823	P74,122,967	P237,459,898	P104,320,428	P556,694	(P623,997)	P43,308	P506,016,121

See Notes to the Financial Statements.

CERTIFIED TRUE COPY
FROM THE ORIGINAL
Internal Revenue
South Makati
MAY 11 2018

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

STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	**2017**	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		**P72,499,453**	P33,470,216
Adjustments for:			
Increase in equity value reserve	*18*	**43,498,336**	31,735,310
Increase in aggregate reserves	*17*	**41,661,661**	719,954
Interest income	*7, 8, 9, 10, 11*	**(35,768,598)**	(33,335,921)
Depreciation and amortization	*13*	**3,733,772**	4,085,036
Provision for claims incurred but not yet reported	*15*	**1,135,951**	(634,081)
Interest expense	*18*	**762,473**	808,419
Dividend income	*10*	**(480,601)**	(450,343)
Retirement expense	*21*	**457,082**	249,606
Gain on sale of investments	*10*	**(86,997)**	(313,171)
Loss on sale of assets		**13,046**	4,623
Operating income before working capital changes		**127,425,578**	36,339,648
Decrease (increase) in:			
Receivables		**(6,034,896)**	1,765,084
Due from related party	*12*	**(8,197,755)**	5,197,277
Other assets	*14*	**999,668**	(1,190,538)
Increase in short-term investments		**(25,668)**	(25,462)
Increase (decrease) in:			
Claims payable		**17,620,076**	(222,018)
Accrued expenses and other liabilities		**(4,507,174)**	3,346,889
Due to related party	*12*	**(1,068,209)**	1,068,209
Refund of equity value reserve	*18*	**(1,061,444)**	(18,277,516)
Cash generated from operations		**125,150,176**	28,001,573
Interest paid		**(4,816,471)**	(1,049,967)
Contribution to retirement asset	*21*	**(925,000)**	(900,000)
Net cash provided by operating activities		**119,408,705**	26,051,606
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Available-for-sale financial assets	*10*	**(129,013,885)**	(265,249,858)
Held-to-maturity investments	*11*		(46,936,510)
Property, equipment and computer software	*13*	**(5,337,051)**	(2,158,672)
Proceeds from:			
Disposal of available-for-sale financial assets	*10*	**21,357,928**	208,662,690
Disposal of held-to-maturity investments	*11*	**-**	47,576,000
Interest income received		**35,296,284**	34,760,945
Dividend received	*10*	**480,601**	450,343
Net cash used in investing activities		**(77,216,123)**	(22,895,062)

Forward

	Note	2017	2016
		Years Ended December 31	
CASH FLOWS FROM A FINANCING ACTIVITY			
Utilization of members' benefit fund		**(P11,904,728)**	(P2,006,015)
Net cash used in financing activity		**(11,904,728)**	(2,006,015)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**30,287,854**	1,150,529
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7	**15,026,605**	13,876,076
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	**P45,314,459**	P15,026,605

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 January 25, 2016, the IC renewed the Association's license as a mutual benefit association until December 31, 2018.

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, Tulay sa Pag-unlad Inc. (TSPI) Building, 2363 Antipolo St. Guadalupe Nuevo, Makati City.

2. Basis of Preparation

Statement of Compliance
These financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board. PFRS which are issued by the Philippine Financial Reporting Standards Council, consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations.

Basis of Measurement
These financial statements have been prepared on the historical cost basis except for the following items, which are measured on another basis at each reporting date.

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

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.

Approval for Issuance of Financial Statements
The financial statements as at and for the year ended December 31, 2017 was approved by the Executive Committee as authorized by the Board of Trustees on April 27, 2018.

Use of Judgments and Estimates
The preparation of financial statements in accordance with PFRS 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, except for the changes in accounting policies as explained below.

Certain comparative amounts in the statements of comprehensive income have been reclassified as a result of change in the classification of certain accounts in 2017 (see Note 25).

Adoption of Amendments to Standard
The Association has adopted the following amendments to standard starting January 1, 2017 and accordingly, changed its accounting policies.

- *Disclosure Initiative (Amendments to PAS 7 Statement of Cash Flows).* The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

  The Association has no financing activity that involves liabilities. The Association's financing activity in 2017 is merely related to the utilization of the funds assigned for members' benefits.

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 (death or survival) over an annual duration. Members' contributions and premiums 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 members' contribution and premium attributable to subsequent periods or to risks that have not yet expired is deferred as "Aggregate reserves" in the statements of assets, liabilities and fund balance. The change in the provision for unearned members' contribution and premium 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, incentives and other acquisition costs, and maintenance costs exceed the recorded aggregate reserves, and any future installment members' contributions and premiums 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, 2017 and 2016, 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 members' contributions and premiums 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.

Financial Instruments

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, available for sale (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, 2017 and 2016, the Association has no financial assets and liabilities at FVPL.

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, 2017 and 2016, the Association's cash and cash equivalents, short-term investments, receivables, due from related party 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.

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, 2017 and 2016, the Association's HTM investments amounted to P184.52 million and P97.68 million, respectively (see Note 11).

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 fund balance. 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 unobservable 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, 2017 and 2016, the Association's AFS financial assets amounted to P751.17 million and P761.18 million, respectively (see Note 10).

Reclassification of AFS Financial Assets to HTM Investments
For a financial asset reclassified out of the AFS financial assets category to loans and receivables or HTM investments, it shall reclassify the financial asset at its fair value on the date of reclassification which becomes its new amortized cost. Any previous gain or loss on that asset that has been recognized in other comprehensive income and any difference between the new amortized cost and maturity amount is amortized in profit or loss over the remaining life of the investments using the effective interest method similar to the amortization of a premium and a discount. If the financial asset is subsequently impaired, any gain or loss that has been recognized in other comprehensive income is reclassified from fund balance to profit or loss.

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.

As at December 31, 2017 and 2016, this category includes the Association's claims payable, equity value reserves, accrued expenses and other liabilities (excluding amounts payable to government agencies) and due to related party.

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).

'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 case 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.

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.

Loans and Receivables and HTM Investments. 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.

AFS Financial Assets Carried at Fair Value. In case of quoted 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. A decline in excess of twenty percent (20%) should generally be regarded as significant while a decline in a quoted market price that persists for nine months should generally be considered to be prolonged.

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.

Offsetting of Financial Instruments
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 PFRS, such as in the case of any realized gains or losses arising from the Association's trading activities.

Derecognition of Financial Assets and Liabilities
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 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 improvements	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.

Insurance Contract Liabilities

Aggregate Reserves

Aggregate reserves represent the accumulated total liability for policies in-force as at the reporting date. 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.

The corresponding change in aggregate reserves is presented as "Increase in aggregate reserves" in profit or loss.

Equity Value Reserves

Equity value reserves represent the accumulated reserve for remittance to members. In accordance with Section 409 of the Insurance Code, as Amended (the Insurance Code), equity value reserves are established at fifty percent (50%) of the total mandatory membership contributions collected from every outstanding membership certificates. The increase in equity value reserves as a result of the collection of membership contribution is presented as "Increase in equity value reserves" in profit or loss.

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. Upon death or withdrawal of the member, equity value reserves contributed and interest thereon are refunded to its members. Effective February 1, 2016, interest rate on equity value reserve was reduced from 2.00% to 0.50% as approved by the BOT.

On October 10, 2016, the IC approved the transfer of equity value reserves in the fund balance based on its letter to the Microinsurance Mutual Benefit Association of the Philippines and accounted as follows:

- equity value reserves for delinquent members beyond the prescribed three (3) years reinstatement period should be transferred to assigned surplus for the benefit of the members provided that the Association initiate at least two (2) actions to locate and inform the delinquent members. However, the Association should maintain a schedule in case any of the members will make a claim in the future.

- unreturned equity value reserves of deceased members and equity value reserves of resigned members (forfeited equity value) before the effectivity of the amended Insurance Code with less than 3 years of membership are transferred to general fund balance.

As required by the IC, this change in accounting policy will be applied prospectively. The Association adopted the accounting policy in 2017 since aforementioned actions required by the IC has to be performed including the validation of the delinquent and resigned members in 2016.

Moreover, the Association reclassified inactive members' equity value reserves and its corresponding interest to claims payable – equity value and interest under "Claims payable" to segregate inactive from active members starting 2017.

<u>Fund Balance</u>

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 members' contribution and 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.

Remeasurement of Retirement Asset

Remeasurement of retirement assets pertain to the accumulated actuarial gains and losses arising from experience and demographic assumptions of the defined benefit obligation and gain (loss) in the plan assets.

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 net unrealized gain (loss) 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.

<u>Revenue Recognition</u>
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.

Determining whether the Association is Acting as Principal or an Agent
The Association assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:

- whether the Association has primary responsibility for providing the services;
- whether the Association has discretion in establishing prices; and
- whether the Association bears the credit risk.

If the Association has determined it is acting as a principal, the Association recognizes revenue on gross basis with the amount remitted to the other party being accounted as part of cost and expenses. If the Association has determined it is acting as an agent, only the net amount retained is recognized as revenue.

The Association has determined that it is acting as principal in its revenue arrangements.

The following specific recognition criteria must be met before revenue is recognized:

Members' Contributions and Premiums
Members' contributions and premiums are recognized when due. The annual members' contribution of two hundred forty pesos is for mandatory life insurance cover while premiums include the following:

- One peso weekly for every thousand pesos of loan availed for credit life;
- Ten pesos annually for every thousand pesos loan availed for mortgage redemption insurance;
- Two hundred forty pesos annually for life plus insurance plan cover; and
- Six hundred fifty pesos annually for life maximum insurance cover.

Members' contributions and premiums 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.

Gain on Sale of Investments
This pertains to the amount in excess of the selling price against the carrying amount of the AFS financial assets in a sale transaction.

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 of active members are recognized in the profit or loss when it accrues.

Employee Benefits
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.

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.

Provisions and Contingencies

Provisions are recognized when the Association has a present legal or constructive obligation as a result of a past event when 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 a 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.

Standards Issued but Not Yet Adopted
A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2017. However, the Association has not applied the following new or amended standards in preparing these financial statements. Except as indicated below, the Association expects that the impact of the new and amendments to standards will not be material to the financial statements.

Effective January 1, 2018

- *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts (Amendments to PFRS 4).* The amendments provide a temporary exemption from PFRS 9, where an entity is permitted to defer application of PFRS 9 in 2018 and continue to apply PAS 39 if it has not applied PFRS 9 before and its activities are predominantly connected with insurance. A qualified entity is permitted to apply the temporary exemption for annual reporting periods beginning before January 1, 2021. The amendments also provide an overlay approach to presentation when applying PFRS 9 where an entity is permitted to reclassify between profit or loss and other comprehensive income the difference between the amounts recognized in profit or loss under PFRS 9 and those that would have been reported under PAS 39, for designated financial assets. A financial asset is eligible for designation if it is not held for an activity that is unconnected with contracts in the scope of PFRS 4, and if it is measured at fair value through profit or loss under PFRS 9, but would not have been under PAS 39. An entity is generally permitted to start applying the overlay approach only when it first applies PFRS 9, including after previously applying the temporary exemption.

  The amendments permitting the temporary exemption is for annual periods beginning on or after January 1, 2018 and the amendments allowing the overlay approach are applicable when an entity first applies PFRS 9. The Association availed the temporary exemption.

- *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.

  The Association availed the temporary exemption in the implementation of PFRS 9 as allowed by PFRS 4 above.

- *PFRS 15 Revenue from Contracts with Customers replaces PAS 11 Construction Contracts, PAS 18 Revenue, International Financial Reporting Interpretatios Committee (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.

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

  The Association believes that the new revenue recognition model will have no significant impact on its financial statements since the Company's main revenue stream is accounted under PFRS 4.

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:

Judgment

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.

   As at December 31, 2017 and 2016, the Association's financial instruments are classified as loans and receivables, HTM investments, AFS financial assets and other financial liabilities.

b) *Determination of Fair Value*

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, 2017 and 2016, the Association's financial instruments carried at fair value are classified as Level 1 in the fair value hierarchy (see Note 6).

c) *Provisions and Contingencies*

The Association, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

The Association is under an ongoing tax review for taxable year 2016. However, management believes that as of date it is not probable that an outflow of resources will be required given that there is no result of the tax review yet.

<u>Estimates</u>

Impairment of Financial Assets

(a) *Financial Assets at Amortized Cost*

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 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.

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.

There were no impairment loss on financial assets at amortized cost were recognized in 2017 and 2016.

(b) *AFS Financial Assets*
The Association considers that investments are impaired when there has been a significant or prolonged decline in the fair value below their cost. 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.

As at December 31, 2017 and 2016 the carrying amount of AFS financial assets amounted to P751.17 million and P761.18 million, respectively (see Note 10). There were no impairment loss recognized in 2017 and 2016 on the Association's AFS financial assets.

Liabilities 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 P4.52 million and P3.39 million as at December 31, 2017 and 2016, respectively (see Note 15).

(a) *Estimating Aggregate Reserves*
The Association estimates the aggregate reserves for future contractual obligations for contributions paid by determining the forty percent (40%) of the unexpired portion of the member contributions collected each month on per week, month, quarter, semi-annual and annual basis. For premium, credit life and other optional products 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, 2017 and 2016, aggregate reserves amounted to P54.79 million and P13.13 million, respectively (see Note 17).

(b) *Estimating Retirement 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, 2017 and 2016, the Association has a retirement asset of P2.13 million and P3.62 million, respectively (see Note 21).

Retirement expense amounted to P0.46 million in 2017 and P0.25 million in 2016 while remeasurement of retirement asset amounted to P1.40 million and P0.56 million as at December 31, 2017 and 2016 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 BOT of the Association has overall responsibility for the establishment and oversight of the Association's risk management framework. The BOT 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.

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. 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 for 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, due to related party, aggregate reserves and equity value reserves. Total equity comprises the fund balance.

Debt-to-equity ratio as at December 31 is as follows:

	2017	2016
Total debt	**P276,051,518**	P388,110,043
Total equity	**732,215,674**	506,016,121
Debt-to-equity ratio	**37.70%**	76.70%

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 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.

As at December 31, 2017 and 2016, the Association is compliant with the required networth requirement based on the Association's calculations. However, 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:

	2017	2016
Property, equipment and computer software - net	**P2,245,350**	P1,353,037
Receivables	**189,770**	780,433
Other assets	**1,135,417**	2,135,085
	P3,570,537	P4,268,555

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, 2017 and 2016 were determined by the Association based on the Association's internal calculations:

	2017	2016
Networth	**P715,699,940**	P498,123,958
Risk-based capital requirement	**15,526,708**	11,717,956
Risk-based capital ratio	**4,609%**	4,251%

On December 28, 2016, the IC released Circular Letter No. 2016-69, *Implementation Requirements for Financial Reporting, Valuation Standards for Insurance Policy Reserves, and Amended Risk-based Capital (RBC2) Framework,* which provides, among other things, that the level of sufficiency for the amended RBC 2 shall be at 95th percentile level of sufficiency for the year 2017, 97.5th percentile for the year 2018, and 99.5th percentile for the year 2019. RBC 2 Framework shall be made effective January 1, 2017.

As at December 31, 2017 and 2016, the Association is compliant with the required RBC ratio based on the Association's internal calculation.

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, 2017 and 2016.

	2017		2016	
Contract Type	**Gross of Reinsurance**	**Net of Reinsurance**	Gross of Reinsurance	Net of Reinsurance
Credit life	**P108,259,678**	**P108,107,554**	P87,796,736	P87,667,551
Basic life	**86,996,671**	**86,902,690**	63,470,620	63,374,305
Life maximum benefit	**65,466,874**	**65,445,501**	-	-
Life plus benefit	**24,477,016**	**24,464,450**	-	-
Mortgage redemption benefit	**1,235,786**	**1,224,381**	-	-
	P286,436,025	**P286,144,576**	P151,267,356	P151,041,856

The Association's exposure to insurance risk as at December 31, 2017 and 2016 are as follows:

	Note	**2017**	2016
Aggregate reserves	*17*	**P54,794,197**	P13,132,536
Equity value reserves	*18*	**89,918,184**	329,894,308
		P144,712,381	P343,026,844

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 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, 2017 and 2016, 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 P1.44 million and P3.60 million, respectively. An equal change in the opposite direction would have increased 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	**2017**	2016
Cash in bank and cash equivalents	*7*	**P45,284,309**	P14,996,456
Short-term investments	*8*	**3,192,525**	3,166,857
AFS financial assets	*10*	**720,692,921**	738,460,769
HTM investments	*11*	**184,515,887**	97,676,722
Receivables	*9*	**6,732,349**	7,037,006
Due from related party	*12*	**8,197,755**	-
Other assets (excluding prepaid expenses and fidelity bond deposit)	*14*	**88,318**	123,067
		P 968,704,064	P861,460,877

The Association's concentration of credit risk arises from its investments in government securities since the said investments amounted to P557.53 million and P478.36 million which represent 55.30% and 47.44% of its total assets as at December 31, 2017 and 2016, respectively (see Notes 10 and 11).

The table below provides information regarding the credit risk exposure of the Association as at December 31, 2017 and 2016 by classifying assets according to the Association's credit grading of counterparties.

	2017				
	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	P45,284,309	P -	P45,284,309	P -	P45,284,309
Short-term investments	3,192,525	-	3,192,525	-	3,192,525
Receivables	-	6,732,349	6,732,349	-	6,732,349
Due from related party	-	8,197,755	8,197,755	-	8,197,755
AFS financial assets	720,692,921	-	720,692,921	-	720,692,921
HTM investments	184,515,887	-	184,515,887	-	184,515,887
Other assets (excluding prepaid expenses and fidelity bond deposit)	-	88,318	88,318	-	88,318
	P953,685,642	P15,018,422	P968,704,064	P -	P968,704,064

	2016				
	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	P14,996,456	P -	P14,996,456	P -	P14,996,456
Short-term investments	3,166,857	-	3,166,857	-	3,166,857
Receivables	-	7,037,006	7,037,006	-	7,037,006
AFS financial assets	738,460,769	-	738,460,769	-	738,460,769
HTM investments	97,676,722	-	97,676,722	-	97,676,722
Other assets (excluding prepaid expenses and fidelity bond deposit)	-	123,067	123,067	-	123,067
	P854,300,804	P7,160,073	P861,460,877	P -	P861,460,877

The Association has no past due and impaired financial assets as at December 31, 2017 and 2016.

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 have contractual maturities of one year or less as at December 31, 2017 and 2016 are as follows:

		2017	
	Note	**Carrying Amount**	**Contractual Cash Flow**
Accrued expenses and other liabilities*	*16*	**P20,292,756**	**P20,292,756**
Claims payable	*15*	**106,813,789**	**106,813,789**
Equity value reserves	*18*	**89,918,184**	**89,918,184**
		P217,024,729	**P217,024,729**

**Accrued expenses and other liabilities shown above exclude payables to regulatory agencies amounting to P4.23 million.*

		2016	
	Note	Carrying Amount	Contractual Cash Flow
Accrued expenses and other liabilities*	*16*	P36,054,669	P36,054,669
Claims payable	*15*	4,154,358	4,154,358
Equity value reserves	*18*	329,894,308	329,894,308
Due to related party	*12*	1,068,209	1,068,209
		P371,171,544	P371,171,544

**Accrued expenses and other liabilities shown above exclude payables to regulatory agencies amounting to P3.81 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, 2017 and 2016 are as follows:

	Note	**2017**	2016
Cash in bank and cash equivalents	*7*	**P45,284,309**	P14,996,456
Short-term investments	*8*	**3,192,525**	3,166,857
AFS financial assets	*10*	**720,692,921**	738,460,769
HTM investments	*11*	**184,515,887**	97,676,722
		P953,685,642	P854,300,804

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**
2017	Increase by 13 bps	**P4,502,001**
	Decrease by 13 bps	**(4,502,001)**
2016	Increase by 13 bps	P1,110,591
	Decrease by 13 bps	(1,110,591)

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 BOT 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 equity securities designated as AFS financial assets with carrying amount of P30.48 million and P22.72 million as at December 31, 2017 and 2016, respectively (see Note 10). The value of these equity securities will fluctuate with changes in market conditions.

A 2.18% (2016: 2.81%) decrease in stock prices would have decreased equity by P0.66 million (2016: P0.64 million) as at December 31, 2017, with all variables remaining constant. An equal change in the opposite direction would have increased equity by an equal but opposite amount.

In 2017 and 2016, 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.

The carrying amount of the Association's HTM investments approximate its fair value at year end. Management believes that the effect of discounting and future cash flows for these instruments using the prevailing market is not significant.

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 P751.17 million and P761.18 million as at December 31, 2017 and 2016, respectively (see Note 10).

The Association has no financial instruments measured at fair value are categorized under Level 2 and 3. There has been no transfer between levels in 2017 and 2016.

7. Cash and Cash Equivalents

As at December 31, this account consists of:

	2017	2016
Cash on hand	**P30,150**	P30,149
Cash in banks	**45,050,926**	12,772,323
Cash equivalents	**233,383**	2,224,133
	P45,314,459	P15,026,605

Cash in banks earn annual interest ranging from 0.75% to 1.25% at respective bank deposit rates both in 2017 and 2016.

Cash equivalents represent a 90-day time deposit with an average annual interest rate of 1.00% in 2017 and 2016.

Interest income net of final tax recognized in profit or loss which is presented under "Interest income", amounted to P0.09 million and P0.10 million for the years ended December 31, 2017 and 2016, respectively.

8. Short-term Investments

This account consists of a 180-day placement amounting to P3.19 million and P3.17 million as at December 31, 2017 and 2016, respectively, which earns interest of 1.00% per annum for both 2017 and 2016.

Interest income earned from this placement, net of final tax, amounted to P17,899 and P14,206 in 2017 and 2016, respectively.

9. Receivables

As at December 31, this account consists of:

	2017	2016
Interest receivables	**P6,384,453**	P5,912,139
Advances to officers and employees	**301,355**	1,045,722
Others	**46,541**	79,145
	P6,732,349	P7,037,006

Interest receivables pertain to accrued interest of debt AFS financial assets and HTM investments. Advances to officers and employees refers to receivables from loans and advances granted to the Association's officers and employees.

Interest income earned on Advances to officers and employees amounted to P21,752 and P38,008 in 2017 and 2016, respectively.

10. Available-for-Sale Financial Assets

As at December 31, this account consists of:

	2017	2016
Government debt securities	**P373,014,112**	P380,686,513
Corporate debt securities	**347,678,809**	357,774,256
Equity securities	**30,480,550**	22,717,658
	P751,173,471	P761,178,427

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

	Note	2017	2016
Balance at beginning of year		**P761,178,427**	P713,700,414
Additions during the year		**129,013,885**	265,249,858
Reclassification	*11*	**(87,020,796)**	-
Disposals during the year		**(21,270,931)**	(208,349,519)
Amortization of premium during the year		**(802,598)**	(4,361,443)
Accretion of discount during the year		**457,303**	2,143,130
Movement in fair value reserve		**(30,381,819)**	(7,204,013)
Balance at end of year		**P751,173,471**	P761,178,427

This account represents investments in government debt securities and corporate bonds with interest rates ranging from 4.00% to 6.8% in 2017 and in 2016.

Interest income on AFS financial assets, net of final tax, amounted to P31.50 million and P28.78 million in 2017 and 2016, respectively. Dividend income on equity securities in 2017 and 2016 amounted to P0.48 million and P0.45 million, respectively. Gain on sale of AFS financial assets amounted to P0.09 million and P0.31 million in 2017 and 2016, respectively.

The fair value reserve on AFS financial assets recognized in statements of assets, liabilities and fund balance amounted to losses of P31.01 million and P0.62 million as at December 31, 2017 and 2016, respectively.

On November 22, 2017, an AFS financial asset amounting to P87.02 million with a fair value reserve of P7.34 million loss was reclassified to HTM investments. As at date of reclassification, the EIR was 4.86% and the estimated cash flows to be recovered upon maturity of the investment in February 2032 amounted to P75.00 million.

As at December 31, 2017, the fair value of the reclassified investments amounted to P7.30 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 P89.99 million for the year ended December 31, 2017. The carrying amount of the reclassified financial assets amounted to P79.69 million as at December 31, 2017.

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.

11. Held-to-Maturity Investments

As at December 31, 2017 and 2016, the reconciliation of the carrying amount of the Association's held-to-maturity investments are as follows:

	Note	**2017**	2016
Balance at beginning of year		**P97,676,722**	P97,551,958
Additions during the year		**-**	46,936,510
Reclassification	*10*	**87,020,796**	-
Disposals for the year		**-**	(47,576,000)
Amortization of premium during the year		**(181,631)**	764,254
Balance at end of year		**P184,515,887**	P97,676,722

As at December 31, 2017 and 2016, this account represents the Association's investments in government debt securities with interest ranging from 4.15% to 5.38% per annum.

Interest income on HTM investments, net of final tax, amounted to P4.14 million and P4.40 million in 2017 and 2016, 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 cover for any valid benefit claim of any of its members. The HTM investments will be re-invested in similar instruments upon maturity.

The contractual maturities of the Association's HTM investments as at December 31, 2017 and 2016 is more than five (5) years.

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 (to) Related Parties	Terms	Conditions
Entity under Common Key Management						
▪ Members' contributions and premiums collected	**2017**	*12a*	**P286,436,025**	**P19,009,710**	**Payable on demand; non-interest bearing**	**Unsecured; no impairment**
	2016	*12a*	151,267,356	-		
▪ Claims and benefits paid	**2017**	*12b*	**50,926,278**	**(10,811,955)**	**Payable on demand; non-interest bearing**	**Unsecured**
	2016	*12b*	40,142,438	(1,068,209)		
▪ Share in reimbursable expense	**2017**	*12c, 23*	**29,886,992**	**-**		
	2016	*12c, 23*	12,131,641	-		
TOTAL	**2017**			**P8,197,755**		
TOTAL	2016			(P1,068,209)		

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

12a 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.

12b 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, 2017 and 2016, the outstanding balance of P10.81 million and P1.07 million, respectively, 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 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 7% service fee based on members' contributions and premiums collected for the services rendered for the Association. In 2017 and 2016, marketing and sales expenses amounting to P29.89 million and P12.13 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 P7.64 million and P7.01 million for the years ended December 31, 2017 and 2016, respectively and are recorded under "Salaries and other employee benefits" in profit or loss. Post-employment benefits amounted to P3.87 million and P1.43 million for the years ended December 31, 2017 and 2016, respectively.

13. Property, Equipment and Computer Software - net

Movements in this account are as follows:

	Office Furniture and Fixtures	Transportation and Equipment	Office Equipment	Building and Improvements	Computer Software	Total
Cost						
January 1, 2016	P4,336,550	P3,734,500	P11,985,426	P325,979	P4,853,458	P25,235,913
Additions	242,280	-	657,530	-	1,258,862	2,158,672
Disposals/retirements	(158,203)	(934,500)	(1,944,859)	-	(118,650)	(3,156,212)
December 31, 2016	**4,420,627**	**2,800,000**	**10,698,097**	**325,979**	**5,993,670**	**24,238,373**
Additions	197,280	1,600,000	2,755,030	-	784,741	5,337,051
Disposals/retirements	(25,640)	(600,000)	(717,135)	-	(81,610)	(1,424,385)
December 31, 2017	**4,592,267**	**3,800,000**	**12,735,992**	**325,979**	**6,696,801**	**28,151,039**
Accumulated Depreciation and Amortization						
January 1, 2016	4,082,957	2,387,831	8,917,661	104,797	3,529,828	19,023,074
Depreciation and amortization for the year	205,465	440,000	2,294,209	65,196	1,080,166	4,085,036
Disposals/retirements	(158,178)	(934,500)	(1,940,302)	-	(118,609)	(3,151,589)
December 31, 2016	**4,130,244**	**1,893,331**	**9,271,568**	**169,993**	**4,491,385**	**19,956,521**
Depreciation and amortization for the year	159,762	679,999	1,851,105	65,195	977,711	3,733,772
Disposals/retirements	(25,630)	(599,999)	(704,128)	-	(81,582)	(1,411,339)
December 31, 2017	**4,264,376**	**1,973,331**	**10,418,545**	**235,188**	**5,387,514**	**22,278,954**
Net Carrying Amounts						
December 31, 2016	P290,383	P906,669	P1,426,529	P155,986	P1,502,285	P4,281,852
December 31, 2017	**P327,891**	**P1,826,669**	**P2,317,447**	**P90,791**	**P1,309,287**	**P5,872,085**

14. Other Assets

As at December 31, this account consists of:

	2017	2016
Prepaid expenses	**P797,099**	P1,762,018
Fidelity bond deposits	**250,000**	250,000
Cash held by investment manager/custodian	**88,318**	123,067
	P1,135,417	P2,135,085

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

The fidelity bond deposits in 2017 and 2016 as required by the IC have a term of one (1) year expiring on June 25, 2017 and 2016, 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

As at December 31, this account consists of:

	2017	2016
Claims payable - Equity value and interest	**P100,498,336**	P -
IBNR claims	**4,522,059**	3,386,108
Claims due and unpaid/resisted	**1,793,394**	768,250
	P106,813,789	P4,154,358

As discussed in Note 3, the Association transferred equity value and interest of inactive members amounted to P93.72 million (see Note 18) and P6.77 million (see Note 16), respectively, in 2017. The entire amount is presented in claims payable - equity value and interest.

Claims due and unpaid/resisted consists of claims payable for

	2017	2016
Credit life	**P758,033**	P507,000
Life maximum	**456,000**	-
Basic life	**369,167**	261,250
Life plus	**185,000**	-
Mortgage redemption	**25,194**	-
	P1,793,394	P 768,250

Movements in IBNR claims are as follows:

	2017	2016
Balance at beginning of year	**P3,386,108**	P4,020,189
Increase (decrease) in IBNR	**1,135,951**	(634,081)
Balance at end of year	**P4,522,059**	P3,386,108

Movements in claims due and unpaid/resisted are as follows:

	2017	2016
Balance at beginning of year	**P768,250**	P990,268
Claims and benefits incurred	**51,951,422**	39,920,420
Claims and benefits paid	**(50,926,278)**	(40,142,438)
Balance at end of year	**P1,793,394**	P768,250

Claims and benefits expense recognized in profit or loss as at December 31 is as follows:

	2017	2016
Claims and benefits incurred	**P51,951,422**	P39,920,420
Increase (decrease) in IBNR	**1,135,951**	(634,081)
	P53,087,373	P39,286,339

16. Accrued Expenses and Other Liabilities

As at December 31, this account consists of:

	Note	2017	2016
Accrued expenses		**P19,278,650**	P9,061,786
Accrued interest	18	**1,014,106**	26,992,883
Payables to regulatory agencies		**4,232,592**	3,805,963
		P24,525,348	P39,860,632

Accrued expenses pertain to liabilities on utilities and services incurred.

The Association accrued interest on equity value received from the members as required by IC, however, effective February 1, 2016, interest rate on equity value reserve was reduced from 2.00% to 0.50% as approved by the BOT. Accrued interest of inactive members amounting to P6.77 million as at December 31, 2017 were transferred to claims payable – equity value and interest under "Claims payable" in 2017 (see Note 15). Moreover, the accrued interest related to the equity value reserves transferred and appropriated in the general fund balance and funds assigned amounted to P0.90 million and P15.69 million, respectively, in 2017.

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 members' contributions and premiums collected, sufficient reserves for future contractual obligations for which it holds funds in securities satisfactory to the Insurance 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 Insurance Commissioner. Moreover, the said reserve liability established in accordance with actuarial procedures is approved by the Insurance Commissioner.

The movement of the account is as follow:

	2017	2016
Balance at beginning of the year	**P13,132,536**	P12,412,582
Increase during the year	**41,661,661**	719,954
	P54,794,197	13,132,536

Starting January 1, 2017, Circular Letter No. 2016-66, *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 the unearned premium method is implemented. The application of the new valuation standards for life insurance policy reserves have no significant impact since the Association's methodology of calculating aggregate reserves is consistent with the new regulatory requirement.

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 members' contributions collected thereon.

The mandatory member's contributions collected amounting to P87.00 million and P63.47 million has a corresponding additional equity value reserves of P43.50 million and P31.74 million in 2017 and 2016, respectively.

The table below shows the rollforward analysis of the account as at December 31, 2017 and 2016.

	Note	**2017**	2016
Balance at beginning of the year		**P329,894,308**	P316,436,514
Increase in equity value		**43,498,336**	31,735,310
Refund of equity value		**(1,061,444)**	(18,277,516)
Reclassification to claims payable	*15*	**(93,724,224)**	-
Appropriation to fund assigned for members' benefit		**(112,235,787)**	-
Appropriation to fund assigned for capacity building		**(48,101,052)**	-
Transfer of forfeited equity value	*20*	**(28,351,953)**	-
		P89,918,184	P329,894,308

Interest expense on equity value reserves amounted to P0.76 million and P0.81 million for the years ended December 31, 2017 and 2016, respectively.

Accrued interest on equity value reserves presented as accrued interest under "Accrued expenses and other liabilities" in the statements of assets, liabilities and fund balance as at December 31, 2017 and 2016 amounted to P1.01 million and P26.99 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 25.00% of the required networth for existing domestic life insurance companies.

As at December 31, 2017 and 2016, the guaranty fund reserves amounted to P104.46 million and P90.14 million, respectively.

The Guaranty fund shall be deposited with IC in cash, or in government securities with a total value equal to such amount. As at December 31, 2017 and 2016, the Association had restricted investments of P184.52 million and P97.68 million, respectively, with the Bureau of Treasury to cover for any valid benefit claim of any of its members (see Note 11).

The amount transferred from general fund to guaranty fund reserves amounted to P14.32 million and P7.56 million in 2017 and 2016, respectively (see Note 20).

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. As at December 31, 2017 the Association has an excess general fund balance amounting to P2.88 million which will be appropriated by the Association in the subsequent periods.

The rollforward analysis of the account as at December 31, 2017 and 2016 are as follows:

	Note	**2017**	2016
Beginning balance		**P74,122,967**	P67,985,334
Net income for the year		**72,499,453**	33,470,216
Transfer to guaranty fund	*19*	**(14,321,802)**	(7,563,368)
Transfer to funds assigned for members benefits		**(72,429,416)**	(13,838,449)
Transfer to funds assigned for capacity building		**(31,041,178)**	(5,930,766)
Transfer of forfeited equity value and interest	*16, 18*	**29,255,787**	-
		P58,085,811	P74,122,967

The balance of funds assigned for members' benefits amounted to P421.20 million and P237.46 million in 2017 and 2016, respectively, while assigned for capacity building amounted to P188.17 million in 2017 and P104.32 million in 2016.

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 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, 2017.

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)	
	2017	2016	2017	2016	2017	2016
Balance at January 1	P3,087,224	P2,464,326	P6,710,834	P5,271,517	(P3,623,610)	(P2,807,191)
Included in Profit or Loss						
Current service cost	664,779	415,915	-	-	664,779	415,915
Interest cost	156,923	127,393	364,620	293,702	(207,697)	(166,309)
	821,702	543,308	364,620	293,702	457,082	249,606
Included in OCI						
Remeasurement loss (gain):						
Actuarial loss (gain) arising from:						
Demographic assumptions	-	-	-	-	-	-
Financial assumptions	(48,870)	28,527	-	-	(48,870)	28,527
Experience adjustment	2,114,649	131,189	-	-	2,114,649	131,189
Return on plan assets excluding interest income	-	-	(15,655)	(383,267)	15,655	383,267
Change in the effect of asset ceiling (movement in asset ceiling - interest expense on effect of asset ceiling)	-	-	123,150	709,008	(123,150)	(709,008)
	2,065,779	159,716	107,495	325,741	1,958,284	(166,025)
Others						
Contributions paid by the employer	-	-	925,000	900,000	(925,000)	(900,000)
Benefits paid	-	(80,126)	-	(80,126)	-	-
	-	(80,126)	925,000	819,874	(925,000)	(900,000)
Balance at December 31	P5,974,705	P3,087,224	P8,107,949	P6,710,834	(P2,133,244)	(P3,623,610)

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

	2017	2016
Balance at beginning of year	**P3,030,502**	P3,555,699
Remeasurement gain on the change in the effect of asset ceiling	**(123,150)**	(709,008)
Interest expense on effect of asset ceiling	**154,040**	183,811
Balance at end of year	**P3,061,392**	P3,030,502

The Association's plan assets consist of the following:

	2017	2016
Unit investment trust funds	**P9,471,235**	P8,285,194
Mutual funds	**1,697,821**	1,456,067
Cash	**285**	75
	P11,169,341	P9,741,336

The table below shows the rollforward analysis of remeasurement of retirement asset account presented under statements of assets, liabilities and fund balance as at December 31, 2017 and 2016.

	2017	2016
Beginning balance	**P556,694**	P390,669
Remeasurement gain (loss) of retirement asset	**(1,958,284)**	166,025
	(P1,401,590)	P556,694

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:

	2017	2016
Discount rate	5.20%	5.08%
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 30.09 in 2017.

The weighted-average duration of the defined benefit obligation is 11.96 years and 5.42 years as at December 31, 2017 and 2016, respectively.

Maturity analysis of the benefit payments:

	2017				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	More than 5 Years
Defined benefit obligation	P5,974,705	P7,280,861	P5,150,215	P458,864	P1,671,782

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)	(P302,931)	P367,000
Future salary growth (1% movement)	330,952	(279,052)

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.

22. Salaries and Other Employee Benefits

The account is consists of:

	Note	**2017**	2016
Salaries		**P31,747,120**	P32,503,127
Bonuses		**10,169,649**	8,758,828
Contributions to SSS, Philhealth, and Pag-ibig		**2,727,543**	2,819,190
Retirement expense	*21*	**457,082**	249,606
Others		**5,861,655**	3,712,382
		P50,963,049	P48,043,133

Salaries pertain to the basic salaries of employees of the Association.

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

Others includes staff trainings, employees' leave conversion and other benefits granted to employees.

23. Marketing and Sales

This account consists of:

	Note	**2017**	2016
Common expenses	*12*	**P29,886,992**	P12,131,641
Incentives		**6,577,708**	1,290,404
Meals		**3,102,516**	3,020,810
Promotions		**2,317,450**	186,667
Operation meeting		**785,436**	439,044
Transportation		**776,932**	667,450
Lodging		**220,955**	193,780
Training		**-**	31,768
		P43,667,989	P17,961,564

Common expenses pertain to reimbursements of marketing and sales expenses incurred by TSPI on behalf of the Association.

Incentives represent the amount given to the insurance officers and/or account officers who were able to meet the number of insurance plan sold based on the Association's incentive schemes.

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

The following table presents the assets and liabilities as at December 31, 2017 and 2016 analyzed according to when they are expected to be recovered or settled within one year and beyond one year from the reporting date:

		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, 19*	**-**	**184,515,887**	**184,515,887**
Receivables	*9*	**6,732,349**	**-**	**6,732,349**
Due from related party	*12*	**8,197,755**	**-**	**8,197,755**
Other assets	*14*	**88,318**	**-**	**88,318**
		63,525,406	**935,689,358**	**999,214,764**
Non-Financial Assets				
Property, equipment and computer software - net	*13*	**5,872,085**	**-**	**5,872,085**
Retirement asset	*21*	**2,133,244**	**-**	**2,133,244**
Other assets	*14*	**1,047,099**	**-**	**1,047,099**
		P72,577,834	**P935,689,358**	**P1,008,267,192**
Financial Liabilities				
Accrued expenses and other liabilities	*16*	**P20,292,756**	**P -**	**P20,292,756**
Claims payable	*15*	**106,813,789**	**-**	**106,813,789**
Equity value reserves	*18*	**89,918,184**	**-**	**89,918,184**
		217,024,729	**-**	**217,024,729**
Non-Financial Liabilities				
Accrued expenses and other liabilities	*16*	**4,232,592**	**-**	**4,232,592**
Aggregate reserves	*17*	**54,794,197**	**-**	**54,794,197**
		P276,051,518	**P -**	**P276,051,518**

	Note	2016 Due Within One Year	Due Beyond One Year	Total
Financial Assets				
Cash in bank and cash equivalents	7	P15,026,605	P -	P15,026,605
Short-term investments	8	3,166,857	-	3,166,857
AFS financial assets	10	-	761,178,427	761,178,427
HTM investments	11, 19	-	97,676,722	97,676,722
Receivables	9	7,037,006	-	7,037,006
Other assets	14	123,067	-	123,067
		25,353,535	858,855,149	884,208,684
Non-Financial Assets				
Property, equipment and computer software - net	13	4,281,852	-	4,281,852
Retirement asset	21	3,623,610	-	3,623,610
Other assets (Prepaid expenses and fidelity bond deposit)	14	2,012,018	-	2,012,018
		P35,271,015	P858,855,149	P894,126,164
Financial Liabilities				
Accrued expenses and other liabilities(excluding payables to regulatory agencies)	16	P36,054,669	P -	P36,054,669
Claims payable	15	4,154,358	-	4,154,358
Equity value reserves	18	329,894,308	-	329,894,308
Due to related party	12	1,068,209	-	1,068,209
		371,171,544	-	371,171,544
Non-Financial Liabilities				
Accrued expenses and other liabilities(payable to regulatory agencies)	16	3,805,963	-	3,805,963
Aggregate reserves	17	13,132,536	-	13,132,536
		P388,110,043	P -	P388,110,043

25. Reclassification

In 2017, the Association reclassified some accounts in profit or loss to be consistent with the nature of the accounts.

Accordingly, the Association also reclassified the comparative figures in 2016.

	Before Reclassification	Reclassification	After Reclassification
Marketing and sales	P16,671,160	1,290,404	P17,961,564
Incentives	1,290,404	(1,290,404)	-

The reclassification represents the amount paid to insurance officers in marketing the product of the Association which was previously presented as "Incentives" in profit or loss.

The above reclassification has no material effect on the information in the statements of assets, liabilities and fund balance, and statements of comprehensive income since there was no change in the total assets and net income for the year ended 2016. Accordingly, the statement of financial position at the beginning of the earliest comparative period is not presented.

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, 2017:

A. Withholding Taxes

Tax on compensation and benefits	**P3,620,445**
Expanded withholding taxes	**336,128**
	P3,956,573

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	**P20,819**

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. As of date, the Association has not received any other correspondences from the BIR.

KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
Email ph-inquiry@kpmg.com.ph

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) 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, 2017 on which we have rendered our report dated April 27, 2018.

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 following accompanying schedules is the responsibility of the Association's management:

i. Schedule of Philippine Financial Reporting Standards; and
ii. Statement of Cash Receipts and Disbursements.

The 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 and, in our opinion, present fairly, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS
Partner
CPA License No. 0102309
IC Accreditation No. F-2017-017-O, valid until November 26, 2020
SEC Accreditation No. 1619-A, Group A, valid until March 15, 2020
Tax Identification No. 920-961-311
BIR Accreditation No. 08-001987-38-2016
Issued December 16, 2016; valid until December 15, 2019
PTR No. 6615139MD
Issued January 3, 2018 at Makati City

April 27, 2018
Makati City, Metro Manila

TSPI MUTUAL BENEFIT ASSOCIATION, INC.

LIST OF EFFECTIVE STANDARDS AND INTERPRETATIONS SCHEDULE OF ALL PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRSs) [WHICH CONSIST OF PFRSs, PHILIPPINE ACCOUNTING STANDARDS (PASs) AND PHILIPPINE INTERPRETATIONS] EFFECTIVE AND NOT EFFECTIVE AS AT December 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		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			✓
	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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		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)		✓[3]	
	Amendments to PFRS 9: Prepayment Features with Negative Compensation			✓

[1]The Association will adopt these new and/or amendment standards on January 1, 2018.
[2] The Association will adopt these new and/or amendment standards on January 1, 2019.
[3] The Association availed the temporary exemption
**These interpretations are approved by PIC and FRSC but pending approval of BOA.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		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			✓
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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		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			✓
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors			✓
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes			✓
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			✓
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	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
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			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Measuring an associate or joint venture at fair value			✓
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Financial Instruments Presentation - Income Tax Consequences of Distributions			✓
PAS 33	Earnings per Share			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
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			✓
PAS 40	Investment Property			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)			✓
	Amendments to PAS 40: Transfers of Investment Property			✓
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2017**		Adopted	Not Adopted	Not Applicable
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			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓
IFRIC 23	Uncertainty over Income Tax Treatments			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15 h	Operating Leases - Incentives			✓
	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
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?			✓
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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
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			✓
PIC Q&A 2015-01	Conforming Changes to PIC Q&As - Cycle 2015			✓
PIC Q&A 2016-01	Conforming Changes to PIC Q&As - Cycle 2016			✓
PIC Q&A 2016-02	PAS 32 and PAS 38 - Accounting Treatment of Club Shares Held by an Entity			✓
PIC Q&A 2016-04	Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-Completion Contracts			✓
PIC Q&A 2017-01	Conforming Changes to PIC Q&As - Cycle 2017			✓
PIC Q&A 2017-02	PAS 2 and PAS 16 - Capitalization of operating lease cost as part of construction costs of a building			✓
PIC Q&A 2017-03	PAS 28 - Elimination of profits and losses resulting from transactions between associates and/or joint ventures			✓
PIC Q&A 2017-04	PAS 24 - Related party relationships between parents, subsidiary, associate and non-controlling shareholder			✓
PIC Q&A 2017-05	PFRS 7 - Frequently asked questions on the disclosure requirements of financial instruments under PFRS 7, Financial Instruments: Disclosures			✓
PIC Q&A 2017-06	PAS 2, 16 and 40 - Accounting for Collector's Items			✓
PIC Q&A 2017-07	PFRS 10 - Accounting for reciprocal holdings in associates and joint ventures			✓
PIC Q&A 2017-08	PFRS 10 - Requirement to prepare consolidated financial statements where an entity disposes of its single investment in a subsidiary, associate or joint venture			✓
PIC Q&A 2017-09	PAS 17 and Philippine Interpretation SIC-15 - Accounting for payments between and among lessors and lessees			✓
PIC Q&A 2017-10	PAS 40 - Separation of property and classification as investment property			✓
PIC Q&A 2017-11	PFRS 10 and PAS 32 - Transaction costs incurred to acquire outstanding non-controlling interest or to sell non-controlling interest without a loss of control			✓
PIC Q&A 2017-12	Subsequent Treatment of Equity Component Arising from Intercompany Loans			✓
PIC Q&A 2018-01	Voluntary changes in accounting policy			✓*

[1]The Association will adopt these new and/or amendment standards on January 1, 2018.
[2] The Association will adopt these new and/or amendment standards on January 1, 2019.
[3] The Association availed the temporary exemption
**These interpretations are approved by PIC and FRSC but pending approval of BOA.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PIC Q&A 2018-02	Non-controlling interests and goodwill impairment test			✓*
PIC Q&A 2018-03	Fair value of PPE and depreciated replacement cost			✓*
PIC Q&A 2018-04	Inability to measure fair value reliably for biological assets within the scope of PAS 41			✓*
PIC Q&A 2018-05	Maintenance requirement of an asset held under lease			✓*
PIC Q&A 2018-06	Cost of investment in subsidiaries in SFS when pooling is applied			✓*
PIC Q&A 2018-07	Cost of an associate, joint venture, or subsidiary in separate financial statements			✓*
PIC Q&A 2018-08	Accounting for the acquisition of non-wholly owned subsidiary that is not a business			✓*
PIC Q&A 2018-09	Classification of deposits and progress payments as monetary or non-monetary items			✓*
PIC Q&A 2018-10	Scope of disclosure of inventory write-down			✓*

[1] *The Association will adopt these new and/or amendment standards on January 1, 2018.*
[2] *The Association will adopt these new and/or amendment standards on January 1, 2019.*
[3] *The Association availed the temporary exemption*
**These interpretations are approved by PIC and FRSC but pending approval of BOA.*

Legend:

***Adopted** - means a particular standard or interpretation is relevant to the operations of the entity (even if it has no effect or no material effect on the financial statements), for which there may be a related particular accounting policy made in the financial statements and/or there are current transactions the amounts or balances of which are disclosed on the face or in the notes of the financial statements.*

***Not Adopted** - means a particular standard or interpretation is effective but the entity did not adopt it due to either of these two reasons: 1) The entity has deviated or departed from the requirements of such standard or interpretation; or 2) The standard provides for an option to early adopt it but the entity decided otherwise.*

***Not Applicable** - means the standard or interpretation is not relevant at all to the operations of the entity.*