

**NATIONAL CONFEDERATION OF COOPERATIVES
MUTUAL BENEFIT ASSOCIATION, INC.**

227 J.P. Rizal Street, Bayanihan
Project 4, Quezon City

FINANCIAL REPORTS
December 31, 2016 and 2015

INDEPENDENT AUDITORS' REPORT

The Members and the Board of Trustees
NATIONAL CONFEDERATION OF COOPERATIVES
MUTUAL BENEFIT ASSOCIATION, INC.
227 J.P. Rizal Street, Bayanihan
Project 4, Quezon City

Opinion

We have audited the financial statements of **NATIONAL CONFEDERATION OF COOPERATIVES MUTUAL BENEFIT ASSOCIATION, INC.** (“the Association”), which comprise the statement of financial position as at December 31, 2016 and the statement of receipts and expenses, statement of changes in fund balance and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Material Uncertainty Related to Going-Concern

Having regard to the future period to which those charged with governance have paid particular attention in assessing going concern, we have planned and performed procedures specifically designed to identify any material matters which could indicate concern about the entity's ability to continue as a going concern. As stated in Note 2, no events or conditions, indicate that a material uncertainty exists that may cast significant doubt in the Association's ability to continue as a going concern. Use of going concern basis of accounting is appropriate and no material uncertainty has been identified.

Emphasis of Matter

We draw attention to Note 27 to the financial statements which describe the policy adopted by the Association of when an entity should adjust its financial statements for events after the reporting period; and the disclosures that an entity should give about the date when the financial statements were authorized for issue and events after the reporting period.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Schedule of Philippine Financial Reporting Standards and Interpretation but does not include the financial statements and our auditors' report thereon.

In our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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 PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the 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 disclosure 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits.

Report on Legal and Other Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 25 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BANARIA, BANARIA AND COMPANY, CPAs

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PTR No. 3804467-C, January 5, 2017, Quezon City
CTC No. 34599651, January 6, 2017, Quezon City
BOA Accreditation No. 0030, valid until December 31, 2018 (Firm)
SEC Accreditation No. 0260-FR-1, valid until May 1, 2019 (Firm)
SEC Accreditation No. 1418-A, valid until April 30, 2017 (Partner)
BIR Accreditation No. 07-000931-1-2015, valid until September 3, 2018 (Partner)
BIR Accreditation No. 07-000364-3-2014, valid until December 21, 2017 (Firm)

NATIONAL CONFEDERATION OF COOPERATIVES MUTUAL BENEFIT ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015
(All Amounts in Philippine Pesos)

	Notes	2 0 1 6	2 0 1 5
<u>A S S E T S</u>			
CURRENT ASSETS			
Cash and cash equivalent	7	P 15,733,085	P 6,730,580
Trade and other receivables	8	2,528,062	1,570,566
Other current assets	10	712,432	605,066
Total		18,973,579	8,906,212
NON-CURRENT ASSETS			
Property and equipment	11	740,843	111,756
Membership certificate loans	9	3,439,161	2,987,456
Financial assets at amortized costs	12	8,317,229	7,426,698
Other non-current asset	13	39,333	-
Total		12,536,566	10,525,910
TOTAL ASSETS		31,510,145	19,432,122
<u>LIABILITIES AND FUND BALANCE</u>			
CURRENT LIABILITIES			
Liability on individual equity value	14	10,462,474	2,076,971
Members contribution received in advance	15	6,975,028	1,046,498
Other payables	16	2,156,136	1,473,140
Total		19,593,638	4,596,609
NON-CURRENT LIABILITY			
Post employment benefits liability	17	354,576	546,284
TOTAL LIABILITIES		19,948,214	5,142,893
TOTAL FUND BALANCE (Exhibit C)		11,561,931	14,289,229
TOTAL LIABILITIES AND FUND BALANCE		P 31,510,145	P 19,432,122

(See accompanying notes to the financial statements)

EXHIBIT A

NATIONAL CONFEDERATION OF COOPERATIVES MUTUAL BENEFIT ASSOCIATION, INC.
STATEMENTS OF RECEIPTS AND EXPENSES
For the Years Ended December 31, 2016 and 2015
(All Amounts in Philippine Pesos)

	Notes	2 0 1 6	2 0 1 5
RECEIPTS	18	P 22,624,060	P 16,805,999
EXPENSES			
Benefit expenses	19	10,204,636	8,622,858
Operating expenses	20	5,204,832	5,344,965
Total		(15,409,468)	(13,967,823)
OPERATING INCOME		7,214,592	2,838,176
OTHER INCOME	21	330,909	233,037
INCOME BEFORE ADJUSTMENTS TO REQUIRED RESERVES		7,545,501	3,071,213
INCREASE IN INDIVIDUAL EQUITY VALUE	14	(4,851,814)	(472,001)
EXCESS OF RECEIPTS OVER EXPENSES FOR THE YEAR (To Exhibit C)		2,693,686	2,599,212
OTHER COMPREHENSIVE INCOME		-	-
EXCESS OF RECEIPTS OVER EXPENSES		P 2,693,686	P 2,599,212

(See accompanying notes to the financial statements)

EXHIBIT B

NATIONAL CONFEDERATION OF COOPERATIVES MUTUAL BENEFIT ASSOCIATION, INC.
STATEMENTS OF CHANGES IN FUND BALANCE
For the Years Ended December 31, 2016 and 2015
(All Amounts in Philippine Pesos)

	Notes	2 0 1 6	2 0 1 5
ASSIGNED FUNDS	22		
<i>Guaranty Fund</i>			
Balance - beginning	P	8,627,488	P 7,804,975
Transfer from free and unassigned funds		1,141,746	822,513
Balance - end		9,769,234	8,627,488
<i>Member's Benefits</i>			
Balance - beginning		-	-
Add: Allocation from free and unassigned funds		1,110,360	-
Less: Utilization		-	-
Balance - end		1,110,360	-
<i>Office/Services Upgrading</i>			
Balance - beginning		-	-
Allocation from free and unassigned funds		444,143.94	-
Less: Utilization	(32,414)	-
Balance - end		411,730	-
<i>Product Development</i>			
Balance - beginning		-	-
Allocation from free and unassigned funds		666,215.92	-
Less: Utilization		(376,838)	-
Balance - end		289,378	-
FREE AND UNASSIGNED FUNDS			
Balance - beginning		5,791,941	4,219,118
Prior period adjustments	22	(5,011,732)	(203,877)
Adjusted beginning balance		780,209	4,015,241
Transfer to assigned funds	(3,362,466)	(822,513)
Excess of receipts over expenses (Exhibit B)		2,693,686	2,599,212
Balance - end		111,429	5,791,941
OTHER COMPREHENSIVE INCOME			
Beginning balance	(130,199)	(130,199)
Adjustment on beginning balance of retirement liability		-	-
Remeasurement of post-employment benefit costs		-	-
Total	(130,199)	(130,199)
TOTAL FUND BALANCE (To Exhibit A)		P 11,561,931	P 14,289,229

(See accompanying notes to the financial statements)

EXHIBIT C

NATIONAL CONFEDERATION OF COOPERATIVES MUTUAL BENEFIT ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015
(All Amounts in Philippine Pesos)

	Notes	2 0 1 6	2 0 1 5
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before adjustments to reserve (Exhibit B)	P	7,545,501	P 3,071,213
Adjustments for non-cash transactions:			
Depreciation	11	79,612	73,510
Decrease (increase) in equity value	14	(4,851,814)	(472,001)
Prior period adjustments	22	(5,011,732)	(203,877)
Gain on sale of property and equipment		-	(500)
Post employment benefit costs	17	-	66,860
Operating income (loss) before working capital changes		(2,238,433)	2,535,205
Decrease (increase) in:			
Membership certificate loans	9	(451,705)	(2,465,608)
Trade and other receivables	8	(957,496)	292,138
Other current assets	10	(107,366)	1,678,026
Increase (decrease) in:			
Liability on individual equity	14	8,385,503	472,001
Members contribution received in advance	15	5,928,530	(1,348,322)
Other payables	16	682,996	456,507
Net cash provided by operating activities		11,242,029	1,619,947
CASH FLOWS FROM INVESTING ACTIVITIES			
Additional financial assets at amortized cost	12	(890,531)	(2,282,712)
Proceeds from disposal of property and equipment	11	-	500
Purchase of web development	13	39,333	-
Acquisition of property and equipment	11	(708,699)	(55,450)
Net cash used in investing activities		(1,638,563)	(2,337,662)
CASH FLOWS FROM FINANCING ACTIVITIES			
Utilization of assigned funds	22	(409,252)	-
Accrual of post-employment liability	17	137,125	924,689
Release of post-employment liability	17	(328,833)	(836,749)
Net cash provided by (used in) financing activities		(600,960)	87,940
NET INCREASE (DECREASE) IN CASH		9,002,505	(629,775)
CASH, BEGINNING		6,730,580	7,360,355
CASH, END		15,733,085	6,730,580

(See accompanying notes to the financial statements)

EXHIBIT D

**NATIONAL CONFEDERATION OF COOPERATIVES
MUTUAL BENEFITS ASSOCIATION (NATCCO MBA), INC.
NOTE TO THE FINANCIAL STATEMENTS
December 31, 2016
(All Amounts in Philippine Pesos)**

Note 1 - CORPORATE INFORMATION

1.1 In General

National Confederation of Cooperatives Mutual Benefit Association, Inc. (NATCCO MBA) (“the Association”) was organized under the laws of the Philippines and duly registered with the Securities and Exchange Commission on April 24, 2009 under Registration No. CN200905690. Its members are active members of any cooperative affiliated with the National Confederation of Cooperatives (NATCCO).

The Association has objectives to extend financial assistance to its members, spouse, and children in the form of benefits, sickness benefits, provident savings and loan redemption assistance; to ensure continued access to benefits or resources by actively involving the members in the management of the association that will include implementation of policies and procedures geared towards sustainability and improved services; to do and perform any other acts and things and to have and exercise any other power and functions as may be necessary, convenient, legal and appropriate to accomplish the purpose for which the mutual benefits association is established or organized.

The Association has a total of 38,690 and 11,827 members as of December 31, 2016 and 2015, respectively.

The Association’s registered office, which is also its principal place of business, is located at 227 J.P. Rizal Street, Bayanihan, Project 4, Quezon City.

1.2 Tax exemption

The Association is not subject to income tax under Section 30 (c) of the National Internal Revenue Code with respect to income received from its not-for-profit activities such as donations, gifts or charitable contributions. However, income from any of its properties, real and personal, or from any of its activities conducted for profit shall be subject to income tax.

Interest earnings on deposits of members with Association, as well as the shares of its members from the net income of the Association shall be exempt from income tax. (BIR Ruling No. 347-98 dated July 28, 1998).

The application for tax exemption of the Association was received by the Bureau of Internal Revenue (BIR) dated May 27, 2014, other documents required were received on August 17, 2015 and was still awaiting for BIR’s approval and issuance of the certificate of tax exemption.

Note 2 - STATUS OF OPERATION

The accompanying financial statements have been prepared on a going concern basis, which contemplate the realization of assets and settlement of liabilities in the normal course of business.

Note 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Basis of Preparation of Financial Statements

Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of National Confederation of Cooperatives Mutual Benefit Association, Inc. have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). PFRSs are adopted by the Financial Reporting Standards Council (FRSC), formerly the Accounting Standards Council, from the pronouncements issued by the International Accounting Standards Board (IASB). PFRSs consist of:

- a. Philippine Financial Reporting Standards (PFRS) - corresponding to International Financial Reporting Standards;
- b. Philippine Accounting Standards (PASs) - corresponding to International Accounting Standards; and
- c. Interpretations to existing standards - representing interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC), of the IASB which are adopted by the FRSC.

Basis of Measurement

These financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial assets. The measurement bases are more fully described in the accounting policies that follow.

Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS 1), *Presentation of Financial Statements*. The Association presents all items of income and expenses in a single statement of comprehensive income.

The Association presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statements of financial position are not required to be disclosed.

All values are rounded to the nearest one peso (₱1), except when otherwise indicated.

3.2 Functional Currency and Foreign Currency Transactions

These financial statements are presented in Philippine Peso, the Association's functional currency, and all values represent absolute amounts except when otherwise indicated.

Functional and Presentation Currency

Items included in the financial statements of the Association are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The financial statements are presented in Philippine Peso, which is also the Association’s functional currency.

Transactions and Balance

The accounting records of the Association are maintained in Philippine Peso. Foreign currency transactions during the period are translated into the functional currency at exchange rates, which approximate those prevailing on transaction dates.

3.3 Adoption of New Interpretation, Revisions and Amendments to PFRS

Changes in Accounting Policies

Except for the following standards and amended PFRS which were adopted as of January 1, 2016 the accounting policies and methods of computation adopted in the preparation of the financial statements are consistent with those followed in the previous financial year. Unless otherwise indicated, these new and revised accounting standards have no impact to the Company.

- (i) PFRS 10 (Amendments), *Consolidated Financial Statements* and PAS 28 (Amendments), *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exemption*. These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.
- (ii) PFRS 11 (Amendments), *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*. The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments are not expected to have significant effect, since the Company has no joint venture arrangement or any acquired interest in joint ventures.

- (iii) PFRS 14, *Regulatory Deferral Accounts*. PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity’s rate-regulation and the effects of that rate-regulation on its financial statements. The Company is an existing PFRS preparer, this standard would not apply.

- (iv) PAS 1 (Amendments), *Presentation of Financial Statements - Disclosure Initiative*. The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:
- That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions;
 - That specific line items in the statements of comprehensive income and the statements of financial position may be disaggregated;
 - That entities have flexibility as to the order in which they present the notes to the financial statements;
 - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.
- (v) PAS 16 (Amendments), *Property and Equipment*, and PAS 38 (Amendments), *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization*. The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue based method cannot be used to depreciate property and equipment and may only be used in very limited circumstances to amortize intangible assets.
- (vi) PAS 16 (Amendments), *Property and Equipment*, and PAS 41 (Amendments), *Agriculture - Bearer Plants*. The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply.
- (vii) PAS 27 (Amendments), *Separate Financial Statements - Equity Method in Separate Financial Statements*. The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

(viii) *Annual Improvements to PFRS (2012-2014 cycle)*. The Annual Improvements to PFRS (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Company, unless otherwise stated. They include:

- a. PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*. The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- b. PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*. PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.
- c. PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*. This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.
- d. PAS 19, *Employee Benefits - Regional Market Issue regarding Discount Rate*. This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- e. PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*. The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Standards Issued but Not Yet Effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PAS, PFRS and Philippine Interpretations to have significant impact on the financial statements.

Effective in 2018

- (i) PFRS 9, Financial Instruments (2014 or final version). In July 2014, the final version of PFRS 9, Financial Instruments, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Company's financial liabilities. The Company will quantify this effect to present a comprehensive picture of the impact of adoption on the financial position or performance of the Company.

- (ii) IFRS 15, *Revenue from Contracts with Customers*. IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Effective in 2019

- (i) IFRS 16, *Leases*. On January 13, 2016, the IASB issued its new standard, IFRS 16, which replaces IAS 17, the current leases standard, and the related Interpretations. Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements. The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but only if IFRS 15 is applied at or before the date of initial application of IFRS 16. The Company is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

Mandatory Date Yet to be Determined

- (i) Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*. This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Company.

3.4 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in banks, and special savings deposit with original maturities of three months or less from date of placements and that are subject to insignificant risk of changes in value. Cash and cash equivalents are initially and subsequently measured which is usually its face value. The Association recognized cash and cash equivalent as current asset when the cash or a cash equivalent is not restricted from being exchanged or used to settle liability for at least twelve months after the end of the reporting period.

3.5 Financial Instruments

Date of Recognition

The Association recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of the instrument.

Initial recognition of financial instruments

All financial instruments are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of financial instrument includes transaction costs.

The Association classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The Association classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market.

Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting period at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of financial reporting framework applicable to the Association.

As of December 31, 2016 and 2015, the Association's financial instruments are of the nature of trade and other receivables, financial assets at amortized cost, membership certificate loans, liability on individual equity, member's contribution received in advance and other payable.

Determination of Fair Value

The fair value of financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other valuation models.

Financial Assets

As of December 31, 2016 and 2015, the Association's financial instruments are of the nature of trade and other receivables, membership certificate loans and financial assets at amortized cost.

Trade and Other Receivables

Trade receivables are recognized initially at its transaction price. They are subsequently measured at amortized cost less provision for impairment. A provision for impairment of account receivables is established when there is objective evidence that the Association will not be able to collect all amounts due according to the original terms of the receivables. Other receivables include advances to officers, employees and supplier. Other receivables are recognized initially at its transaction cost, and subsequently measured at amortized cost less provision for impairment.

Membership Certificate Loans

Membership certificate loans are recognized initially at its transaction price. They are subsequently measured at amortized cost less provision for impairment. A provision for impairment of policy loans is established when there is objective evidence that the Association will not be able to collect all amounts due according to the original terms of the receivables.

All financial assets that are not classified as at fair value through profit or loss are initially recognized at fair value, plus transaction costs.

Interest income, interest expense and impairment losses, relating to financial assets are presented as separate items in the statements of comprehensive income, unless indicated otherwise.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

A more detailed description of the four categories of financial assets is as follows:

(a) Financial Assets at Fair Value through Profit or Loss

This category include financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling it in the near term or if so designated by management. Derivatives are also categorized as “held for trading” unless they are designated as hedges. Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months from the end of each reporting period. Financial assets at fair value through profit or loss are initially recognized at fair value. Any related transaction costs are recognized in the profit or loss.

Financial assets at fair value through profit or loss are subsequently measured at fair value, and changes therein are recognized in profit or loss. Financial assets (except derivatives and financial instruments originally designated as financial assets at fair value through profit or loss) may be reclassified out of fair value through profit or loss category if they are no longer held for the purpose of being sold or repurchased in the near term.

As of the reporting period, the Association has no investment in financial assets at fair value through profit or loss.

(b) Loans Receivables

Loans receivables are initially recognized at transaction cost and are non-derivative financial assets with fixed or determinable payments that are not quoted in active market. They arise when the Association provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of each reporting period which are classified as non-current assets.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Any change in their value is recognized in profit or loss. Impairment loss is provided when there is objective evidence that the Association will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated cash flows.

Interest income is amortized using the effective interest method of amortization and any unamortized loans discount are deducted from the outstanding balance to arrive at the amortized cost of the account.

The Association classified its trade and other receivables as loans receivables.

(c) Held-to-Maturity Financial assets

Held-to-Maturity Financial assets are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Association's management has the positive intention and ability to hold to maturity where the Association would sell other than an insignificant amount of these financial assets, the entire category would be tainted and reclassified as AFS financial assets.

Bond investments are recognized initially at fair value plus transaction costs that are directly attributable to the acquisition. After initial measurement, these investments are subsequently measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included in 'Interest income' in the statement of comprehensive income. Gains and losses are recognized in income when the financial assets are derecognized and impaired, as well as through the amortization process. The losses arising from impairment of such investments are recognized in the statement of comprehensive income under 'Provision for impairment and credit losses'. The effects of translation of foreign currency-denominated financial assets are recognized in the statement of comprehensive income.

The Association classified its investment in bonds and other debt securities as held-to-maturity financial assets. In addition, the Association opted to use the title "Financial Assets at Amortized Costs" in compliance with the Standard Chart of Accounts issued by the Insurance Commission for uniformity of financial reporting amongst the mutual benefit associations.

(d) Available-for-sale Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets under the Financial Assets account in the statement of financial position unless management intends to dispose of the investment within 12 months from the reporting period.

All available-for-sale financial assets are initially and subsequently measured at fair value, unless otherwise disclosed, with changes in value recognized in other comprehensive income, net of any effects arising from income taxes. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognized in other comprehensive income is reclassified from revaluation reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

Reversal of impairment loss is recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Costs or Finance Income in the statements of comprehensive income.

For investments that are actively traded in organized financial markets, fair value is determined by reference to stock exchange-quoted market bid prices at the close of business on the reporting period. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

As of the reporting period, the Association has no available-for-sale-financial asset.

Impairment of Financial Assets

The Association assesses at each reporting date whether there is objective evidence that a financial asset or 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 has occurred after the initial recognition of the asset (a 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 arrears or economic conditions that correlate with defaults.

(a) Assets carried at amortized cost. The Association first assesses whether objective evidence of impairment exists individually significant and individually or collectively for financial assets that are not individually significant. If the Association determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the Association includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans receivable or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income.

If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. When practicable, the Association may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Bank's or BSP's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be consistent with changes in related observable data from period to period. The methodologies and assumption used for estimating future cash flows are reviewed regularly by the group to reduce any differences between loss estimates and actual loss experience.

If, in a subsequent period, the amount of the impairment loss decrease and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statements of comprehensive income.

(b) Resources carried at fair value with changes charged to capital funds. In the case of investments classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from capital funds and recognized in the statement of comprehensive income. Impairment losses recognized in the statement of comprehensive income on equity instruments are not reversed from capital funds and recognized in the statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increase and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss was recognized in profit or loss, the impairment loss is reversed through the statements of comprehensive income.

(c) Resources carried at cost. The Association assesses at each reporting date whether there is objective evidence that any of the unquoted equity securities and derivative assets linked to and required to be settled in such unquoted equity instruments, which are carried at cost and for which objective evidence of impairment exist. The amount of impairment loss is the difference between the carrying amount of the equity security and the present value of the estimated future cash flows discounted at the current market rate of return of a similar asset. Impairment losses on assets carried at cost cannot be reversed.

Financial Liabilities

Financial liabilities are recognized when the Association becomes a party to the contractual agreements of the instrument. All interest related charges are recognized as expense in the statements of comprehensive income under the caption finance costs.

Financial liabilities include liability on individual equity value, member's contribution received in advance and other payable, which are measured at nominal value.

Liability on Individual Equity

Liability on individual equity value represents the total amount of obligations set-up by the MBA on membership certificates pertaining to- the 50% equity value, as required under the Insurance Code, and any incremental amount declared by MBA. It is measured initially at transaction price and subsequently measured at cost less subsequent payments and impairment, if any.

Member's Contribution Received in Advance

Member's contribution received in advance represents member contributions received but not yet due/earned as of the end of the accounting period and which is expected to become due within one year. It is measured initially at transaction price and subsequently measured at cost less subsequent payments and impairment, if any.

Trade and other Payables

Trade payables, if any, represent accounts payables and are recognized initially at the transaction price and subsequently measured at amortized cost less subsequent payments. Other payables include accruals such as utility expenses. Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts if any due to employees. It is necessary to estimate the amount or timing of accruals, however, the uncertainty is generally much less than for provisions

3.6 Derecognition of Financial Assets and Liabilities

Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired; or
- 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 rights 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 the risk and rewards of the asset but has transferred the 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 transferred control of the asset, the asset is recognized to the extent of the Association's continuing involvement in the asset.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or 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 the statements of comprehensive income.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

3.7 Other Current Assets

Other current assets pertain to other resources controlled by the Association as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

Other current assets include prepaid reinsurance premium and prepaid tax that are initially recorded at transaction cost and subsequently measured at cost less impairment loss, if any.

Prepayments are expenses paid in cash and recorded as assets before they are used or consumed, as the service or benefits will be received in the future. Prepayments expire and are recognized as expense either with the passage of time or through use or consumption.

Prepayments and other non-financial assets are included in current assets, except when the related goods or services are expected to be received or rendered more than twelve (12) months after the reporting period, which are then classified as non-current assets.

3.8 Property and Equipment

The Association shall recognize the cost of an item of property and equipment as an asset if and only if:

- a) It is probable that future economic benefit associated with the item will flow to the entity; and
- b) the cost of the item can be measured reliably

The Association's property and equipment are initially carried at acquisition cost and subsequently at cost less accumulated depreciation and amortization and impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and amortization and impairment losses are removed from the accounts and any resulting gain or loss is reflected in income for the period.

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

	<u>Estimated Useful Life</u>
Office furniture and fixtures	3 - 5 years
Office equipment	3 - 10 years
IT equipment	4 - 10 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The residual values and estimated useful lives of Association property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of Association's property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statements of comprehensive income in the period the item is derecognized.

3.9 Impairment of Non-financial Assets

Association's property and equipment and investment properties are subject to impairment testing. Intangible assets with an indefinite useful life, those not yet available for use or goodwill are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

3.10 Fund Balance

Guaranty fund balance is initially and subsequently measured using the nominal value of contributions by members.

Free and unassigned funds include all current and prior period results as disclosed in the statements of comprehensive income.

3.11 Revenue and Cost Recognition

Income is recognized to the extent that it is probable that the economic benefits will flow to the Association and the revenue can be reliably measured. The following specific recognition criteria must also be met before income is recognized. The current specific revenue recognition policies of the Association are as follows:

- (a) *Insurance premium* – Income from insurance premiums are recognized when it is received or becomes receivable.
- (b) *Interest income on bank deposits and held-to-maturity financial assets* – Interest income on bank deposits and held-to-maturity financial assets are recognized using the accrual method.
- (c) *Donation and contributions* – Donations and contribution are recognized by the Association when received from donor.
- (d) *Miscellaneous income* – Miscellaneous income such as membership fees, surcharges and penalties are recognized when received.

Costs and expenses are recognized in the statement of comprehensive income upon utilization of the service or at the date they are incurred. All finance costs are reported in profit or loss, except capitalized borrowing costs, if any, which are included as part of the cost of the related qualifying asset, on an accrual basis.

3.12 Employee Benefits

Employees' benefits are all forms of consideration given by the Association in exchange for service rendered by employees, including directors and management.

Short-term Benefits

The Association recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Association to its employees include compensation, social security contributions, short-term compensated absences, bonuses and other non-monetary benefits.

Retirement Benefits

The Association provided retirement benefits for all its regular employees in compliance with the Retirement Laws under Republic Act 7641, as amended. Post-employment benefit accrued balance amounted to P354,576 and P546,284 as at December 31, 2016 and 2015, respectively. (Note 17)

The key actuarial valuation is as follows:

Present value of the Defined Benefits Obligation - present value of benefits pertaining to the period of service rendered prior to the valuation date determined using the method and assumptions stated herein.

Current Service Cost – present value of benefits pertaining to period of service rendered in the current accounting period determined using the method and assumptions stated herein.

3.13 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

3.14 Income Taxes

The Association is not subject to income tax under Section 30 (c) of the National Internal Revenue Code with respect to income received from its not-for-profit activities such as donations, gifts or charitable contributions. However, income from any of its properties, real and personal, or from any of its activities conducted for profit shall be subject to income tax.

3.15 Provisions

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructed commitment that has resulted from past events.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligation is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements.

3.16 Contingencies

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

3.17 Prior Period Adjustments

Prior period adjustments are omissions from and misstatements in the Association's financial statements for one or more periods arising from a failure to use, or misuse of, reliable information. These adjustments include correction of errors, change in estimates and other adjustments pertaining to prior accounting periods.

A prior period error shall be corrected by retrospective restatement except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error.

3.18 Events after the Reporting Period

Events after the reporting period are those events, favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue. Two types of events can be identified:

- (a) Those that provide evidence of conditions that existed at the end of the reporting period (*adjusting events after the reporting period*); and
- (b) Those indicative of conditions that arose after the reporting period (*non-adjusting events after the reporting period*).

Post year-end event that provides additional information about the Association's position at each reporting date (adjusting events) are reflected in the financial statements. Post year-end adjustments that are not adjusting events are disclosed in the notes to the financial statements when material.

3.19 Related Party Disclosures

Related party transactions are transfers of resources, services or obligations between the Association and their related parties, regardless whether a price is charged.

Two or more parties are related parties when at any time during the financial period: (a) one party has direct or indirect control of the other party; or (b) the parties are subject to common control from the same source; or (c) one party has influence over the financial and operating policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or the parties, in entering a transaction, are subject to influence from the same sources to such an extent that one of the parties to the transaction has subordinated its own separate interests.

As this type of transactions cannot be avoided and are not deemed unlawful, transactions involving such shall require disclosure as provided in the PAS 24, Related Party Transactions.

Transactions with related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk.

3.20 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Association. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The 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.

PFRS 13 requires that financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value, but for which fair value is required to be disclosed in accordance with other relevant PFRS to be categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels:

- (a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- (b) Level 2: inputs other than quoted prices included within level 1 that are observable for the asset (i.e., derived from price); and,
- (c) Level 3: inputs for the assets or liability that are not based on observable marked data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level significant input to the fair value measurement.

Note 4 - SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The Association's financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. Actual results may ultimately differ from these estimates.

The Association makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the succeeding pages.

4.1 Critical Accounting Judgments

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

(a) Impairment losses on financial assets (Receivables, and held-to-maturity financial assets)

The Association reviews its receivables and held-to-maturity financial assets portfolios to assess impairment. In determining whether an impairment loss should be recorded in the statements of comprehensive income, the Association makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the portfolio before the decrease can be identified with an individual item in that portfolio. The evidence may include observable data indicating that there has been an adverse change in the payment status of members, or national or local economic conditions that correlate with defaults on assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The Association carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. Significant components of fair value measurement were determined using verifiable objective evidence such as foreign exchange rates, interest rates, volatility rates. However, the amount of changes in fair value would differ if the Association utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit and loss and equity.

4.2 Key Sources of Estimation Uncertainty

The Association makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful Life of Property and Equipment

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

A reduction in the estimated useful lives of property and equipment would increase recorded operating expenses and decrease non-current assets.

(b) Impairment of Non-financial Assets

The Association's policy on estimating the impairment of non-financial assets is discussed in Note 3.9. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

There was no impairment loss recognized in 2016.

(c) Retirement and Other Benefits

Liability for the retirement benefits should be computed based on R.A. No. 7641 and R.A. No. 8558. The minimum retirement pay due for covered employees shall be equivalent to one-half month salary for every year of service, a fraction of at least six (6) months being considered as one whole year. One-half month salary include: (a) 15 days salary based on the latest salary rate; (b) cash equivalent of 5 days of service incentive leave (or vacation leave); (c) one-twelfth (1/12) of the 13th month pay; provided that retiree has 10 years of continuous service and at least sixty (60) years of age.

The estimated retirement benefit obligation amounted to P354,576 and P546,284 as of December 31, 2016 and 2015, respectively. (Note 17)

(b) Provisions and Contingents

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 3.15 and Note 3.16.

(c) Revenue Recognition

The Association's revenue recognition policies require the use of estimates and assumptions that may affect the reported amounts of revenues and receivables. Differences between the amounts initially recognized and actual settlements are taken up in the accounts upon reconciliation. However, there is no assurance that such use of estimates may not result to material adjustments in future periods.

Note 5 - FAIR VALUE MEASUREMENTS

The Association's financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. Actual results may ultimately differ from these estimates.

5.1 Fair Value Hierarchy

The following table summarizes the carrying amounts and the fair values by level of the fair value hierarchy of the Association's financial assets and liabilities that are carried at fair value or for which fair value is disclosed as of December 31, 2016 and 2015.

5.2 Fair Value Information

The methods and assumptions used by the Association in estimating the fair value of the financial instruments are as follows:

2016	Notes	Carrying Amount	Fair Value Hierarchy			Total
			Level 1	Level 2	Level 3	
<i>Assets and liabilities for which fair values are disclosed</i>						
<u>Financial Assets</u>						
Cash and cash equivalent	7	15,701,887	-	-	15,701,887	15,701,887
Trade and other receivables	8	2,528,062	-	-	2,528,062	2,528,062
Membership certificate loans	9	3,439,161	-	-	3,439,161	3,439,161
Financial assets at amortized cost	12	8,317,229	-	8,317,229	-	8,317,229
<u>Financial Liabilities</u>						
Liability on individual equity	14	10,462,474	-	-	10,462,474	10,462,474
Members contribution received in advance	15	6,975,028	-	-	6,975,028	6,975,028
<hr/>						
2015						
<i>Assets and liabilities for which fair values are disclosed</i>						
<u>Financial Assets</u>						
Cash and cash equivalent	7	6,706,743	-	-	6,706,743	6,706,743
Trade and other receivables	8	1,570,566	-	-	1,570,566	1,570,566
Membership certificate loans	9	2,987,456	-	-	2,987,456	2,987,456
Financial assets at amortized cost	12	7,426,698	-	7,426,698	-	7,426,698
<u>Financial Liabilities</u>						
Liability on individual equity	14	2,076,971	-	-	2,076,971	2,076,971
Members contribution received in advance	15	1,046,498	-	-	1,046,498	1,046,498

Cash, trade and other receivables, financial assets at amortized cost, - Carrying amounts approximate fair values due to the relatively short-term maturities of these instruments. In relation to advances from stockholders, the carrying amount approximate its fair value even though it has no specific term of payment.

Membership certificate loans, liability on individual equity value and members contribution received in advance – Carrying amount were certified to us by the actuary of the Association.

The description of the accounting policies for each category of financial instruments is disclosed in Notes 3.5. A description of the Association's risk management objectives and policies for financial instruments is provided in Note 6.

Note 6 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Association's activities expose it to a variety of financial risks: credit risk and liquidity risk. The Association's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Association. The policies for managing specific risks are summarized below.

Governance Framework

The Association has established a risk management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity and operational risk. It also supports the effective implementation of policies.

The policies define the Association's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets to the corporate goals and specify reporting requirements.

Capital Management Framework

The Association's risk management function has developed and implemented certain minimum stress and scenario tests for identifying the risks to which the Association are exposed, quantifying their impact on the volatility of economic capital. The results of these tests, particularly, the anticipated impact on the realistic financial statement accounts, are reported to the Association's risk management function.

The risk management function then considers the aggregate impact of the overall capital requirement revealed by the stress testing to assess how much capital is needed to mitigate the risk of insolvency to a selected remote level.

The operation of the Association is also subject to the regulatory requirements of Insurance Commission and Securities and Exchange Commission. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions.

The Association, in compliance with the Sec. 405 of the Insurance Code of the Philippines (as amended by R.A. No. 10607, dated August 15, 2013), has constituted and established a guaranty fund which is deposited with the Insurance Commission as a primary requirement for license to operate of every mutual benefit association. Any accrual to such fund, be it interest earned or dividend additions on moneys or securities so deposited, may, be withdrawn by the Association if there is no pending benefit claim against it, including interest thereon or dividend additions.

Any increase in the guaranty fund must be in accordance with Sec. 410 of the Insurance Code of the Philippines (as amended by R.A. No. 10607, dated August 15, 2013) wherein 'every mutual benefit association must accumulate and maintain, out of periodic dues collected from its members, sufficient reserves for the payment of claims or obligations'. Also, a reserve liability shall be established in accordance with actuarial procedures and shall be approved by the Commissioner.

During the year 2016, the Association, in compliance with the Sec. 408 of the Insurance Code of the Philippines (as amended by R.A. No. 10607) has allocated unassigned surplus (in excess of 20% of total liabilities per audited financial statement ending December 31, 2015)

The debt-to-equity ratio of the Association is computed as follows:

	<u>2 0 1 6</u>	<u>2 0 1 5</u>
Total liabilities	19,948,214	5,142,893
Total members' equity	<u>11,561,931</u>	<u>14,289,229</u>
Debt-to-equity ratio	<u>P1.73 : P1.00</u>	<u>P0.36 : P1.00</u>

Financial Risk

The Association is also exposed to financial risk through its financial assets and financial liabilities. The most important components of these financial risks are: credit risk and liquidity risk.

Credit Risk

Credit risk is the risk that counterparty fails to discharge an obligation to the Association. The Association is exposed to this risk for various financial instruments, for example by granting advances to affiliates.

The Association continuously monitors defaults of borrowers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The association's policy is to deal only with creditworthy counterparties.

The table below shows the maximum exposure to credit risk for the components of December 31, 2016 and 2015 statements of financial position. The maximum exposure is shown gross, without taking into account collateral and other credit enhancement.

	<u>2 0 1 6</u>	<u>2 0 1 5</u>
Cash in banks	14,696,849	6,706,743
Cash equivalent	1,005,038	-
Financial assets at amortized cost	8,317,229	7,426,698
Trade and other receivables	2,528,062	1,570,566
Membership certificate loans	<u>3,439,161</u>	<u>2,987,456</u>
Total	<u><u>29,986,339</u></u>	<u><u>18,691,463</u></u>

The credit risk for cash in bank and cash equivalent are considered negligible, since the counterparties are reputable financial institution with high quality external credit ratings. Cash in banks is insured by the Philippines Deposit Insurance Corporation up to a maximum coverage of P500,000.00 for every depositor per banking institution.

None of the Association's financial assets are secured by collateral or other credit enhancements.

As at December 31, 2016 and 2015, the Association has no financial instruments with rights to offset in accordance with PAS 32. There are also no financial instruments that are subject to an enforceable master netting arrangement or similar agreements which require disclosure in the financial statements in accordance with amendments on PFRS 7.

Credit quality per class of Financial Assets

The table below shows the credit quality per class of financial assets as at December 31, 2016 and 2015.

2016	Note	Neither past due nor impaired	Past due	Impaired
<i>Financial assets</i>				
Cash and cash equivalent	7	15,701,887	-	-
Trade and other receivables	8	2,528,062	-	-
Membership certificate loans	9	3,439,161	-	-
Financial assets at amortized costs	12	8,317,229	-	-
2015	Note	Neither past due nor impaired	Past due	Impaired
<i>Financial assets</i>				
Cash and cash equivalent	7	6,706,743	-	-
Trade and other receivables	8	1,570,566	-	-
Membership certificate loans	9	2,987,456	-	-
Financial assets at amortized costs	12	7,426,698	-	-

The Association's management considers that all the above financial assets that are not impaired or past due for each reporting date are of good credit quality.

Liquidity Risk

The Association's objective is to maintain a balance between continuity of funding and flexibility through the use of generated funds. Liquidity risk is the risk that the Association will be unable to meet its payment obligations when they fall due. The Association manages this risk through periodical monitoring of cash flows in consideration of future payment due dates and daily collection amounts. The Association also ensures that there are sufficient, available and approved working capital lines that it can draw from anytime.

The table below summarizes the maturity profile of the Association's financial obligations as of December 31, 2016 and 2015 based on contractual undiscounted payment:

	2016		2015	
	Due within one (1) year	Due after one (1) year	Due within one (1) year	Due after one (1) year
Liability on individual equity value	10,462,474	-	2,076,971	-
Members contribution received in advance	6,975,028	-	1,046,498	-
Other payables **	2,131,029	-	1,429,577	-
Accrued retirement payable	-	354,576	-	546,284
Total	19,568,531	354,576	4,553,046	546,284

*** Other payables as at December 31, 2016 and 2015 exclude statutory obligations amounting to P25,106 and P43,563, respectively.*

Note 7 - CASH AND CASH EQUIVALENT

The account consists of the following:

	<u>2 0 1 6</u>	<u>2 0 1 5</u>
Cash in banks	14,696,849	6,706,743
Cash equivalent	1,005,038	-
Revolving fund	<u>31,199</u>	<u>23,837</u>
Total	<u><u>15,733,086</u></u>	<u><u>6,730,580</u></u>

Cash in banks consist of current and savings accounts on different banks, earning interest at prevailing bank deposit rates.

Cash equivalent represents unrestricted time deposit with other financial institution with terms of 30 to 90 days and earns interest ranging from .625% - 1% per annum.

Total interest earned for years ended 2016 and 2015 amounted to P93,139 and P11,196 which are included in the other income account.

Revolving fund represents fund established to defray immediate minimal disbursements which are evidenced by duly accomplished and approved vouchers with the corresponding supporting receipts and/or other supporting documents.

None of the foregoing assets was restricted and none was used to secure any liability of the Association.

Note 8 - TRADE AND OTHER RECEIVABLES

The account consists of the following:

	<u>2 0 1 6</u>	<u>2 0 1 5</u>
Net premiums due and uncollected	2,486,462	1,226,390
Advances to officers and employees	41,600	92,500
Interest receivable	-	16,280
Others	<u>-</u>	<u>235,396</u>
Total	<u><u>2,528,062</u></u>	<u><u>1,570,566</u></u>

Net premiums due and uncollected represents net premiums due and uncollected at the end of the accounting period on all optional policies which are classified as in force on the MBA's valuation records. These are net premiums that are due and uncollected within the grace period.

Advances to officers and employees account refers to duly approved cash advances for official business to officers and employees, subject to liquidation in accordance with the Association's policy.

No allowance was set-up during the year for the management believes that receivables are all collectible.

The above receivables were unsecured, non-interest bearing and expected to be collected within one year from the end of the reporting date. Also, there was no indication which warrants the impairment of the foregoing assets. Hence, no impairment loss was recognized during the year. Furthermore, none of the forgoing receivables were used to secure any liability of the Association.

Note 9 - MEMBERSHIP CERTIFICATE LOANS

This represents the outstanding balances of loans granted to members at prescribed interest rates, fully secured by the members' equity value of the certificate. These may be in the form of a cash loan applied for by the members or automatic contributions loan applied by the MBA, as provided for in the membership certificate, to cover contribution(s) due on the certificate but still unpaid within the grace period.

Total membership certificate loans as of December 31, 2016 and 2015 amounted to P3,439,161 and P2,987,456, respectively.

No allowance was set-up during the year for the management believes that receivables are all collectible.

The above receivables were unsecured, non-interest bearing and expected to be collected within one year from the end of the reporting date. Also, there was no indication which warrants the impairment of the foregoing assets. Hence, no impairment loss was recognized during the year. Furthermore, none of the forgoing receivables were used to secure any liability of the Association.

Note 10 - OTHER CURRENT ASSETS

The account represents unamortized portion of reinsurance premium paid with Paramount Life and General Insurance Corporation and prepaid taxes amounting to P712,432 and P605,066 as of December 31, 2016 and 2015, respectively

Note 11 - PROPERTY AND EQUIPMENT

A reconciliation of the carrying amounts at the beginning and end of years 2016 and 2015, and the gross carrying amounts and accumulated depreciation of property and equipment are shown below:

Cost	2 0 1 4	Additions	Disposal	2 0 1 5	Additions	2 0 1 6
Office furniture and fixtures	54,565	12,150	-	66,715	45,244	111,959
Office equipment	319,041	43,300	20,500	341,841	107,900	449,741
IT equipment	140,000	-	-	140,000	555,556	695,556
Total	513,606	55,450	20,500	548,556	708,699	1,257,255
Accumulated depreciation	2 0 1 4	Depreciation	Disposal	2 0 1 5	Depreciation	2 0 1 5
Office furnitures and fixture	22,871	9,863	-	32,734	13,919	46,653
Office equipment	224,808	60,314	20,500	264,622	55,961	320,583
IT equipment	136,111	3,333	-	139,444	9,732	149,176
Total	383,790	73,510	20,500	436,800	79,612	516,412
Carrying value	129,816			111,756		740,843

There was no objective evidence that warrant the impairment of the above properties and equipment, thus no impairment loss was recognized. Furthermore, none of these was used as collateral to secure any of the Association's liabilities

Note 12 - FINANCIAL ASSETS AT AMORTIZED COSTS

Financial assets at amortized costs – investment in bonds – government securities represents guaranty deposits (SBC-BTR) assigned and transferred to Insurance Commission to serve as security for the benefit of the members and the creditors of the Association.

The investment consists of P8,095,000 and P7,245,000 face value as of December 31, 2016 and 2015, respectively.

Total value of investments at amortized cost amounted to P8,317,229 and P7,426,698 as of December 31, 2016 and 2015, respectively.

The investment has a term of five (5) years and earning interest at 3.24% annually. Total interest earned for years ended 2016 and 2015 amounted to P237,770 and P221,341 respectively, which is included in the other income account.

Note 13 - OTHER NON-CURRENT ASSET

The account represents web development cost that is amortized for over useful of 5 years. Carrying value as of December 31, 2016 amounted to P 39,333.

Note 14 - LIABILITY ON INDIVIDUAL EQUITY VALUE

In accordance with the provisions of the Insurance Code, every outstanding membership certificate must have, after three (3) full years of being continuously in force, an equity value to at least 50% of the total membership dues collected from the members less claims paid. The equity is payable to the members upon termination of their membership in the Association. In accordance with the same code, the Association is required to put up a reserve liability not lower than the equity value of all in-force, active certificates as at the end of each calendar year. Liability on individual equity value of the Association as at December 31, 2016 and 2015 amounting to P10,462,474 and P2,076,971, respectively.

Note 15 - MEMBERS CONTRIBUTION RECEIVED IN ADVANCE

The account represents members contribution received but not yet due/earned amounted to P6,975,028 and P1,046,498 as of December 31, 2016 and 2015, respectively.

The account is expected to be applied to within the next reporting date.

Note 16 - OTHER PAYABLES

The account consists of the following:

	<u>2 0 1 6</u>	<u>2 0 1 5</u>
Claims benefit payable -incurred but not yet reported	1,062,981	595,678
Claims payable - optional reserve	514,637	256,016
Accrued expenses	354,529	150,000
Basic contingent benefit reserver	165,751	93,437
Withholding tax payable	25,107	25,155
Accrued interest	-	69,753
Claims benefit payable -resisted	-	255,000
SSS, Pag-ibig contribution payable	-	18,408
Others	33,131	9,693
Total	<u>2,156,136</u>	<u>1,473,140</u>

Claims benefit payable - incurred but not yet reported represents the sum of the individual claims on membership certificates that have already occurred but on which notice has not yet received by the Mutual Benefit Association (MBA). This estimates takes into account any policy reserve liability set up by the MBA and any amount recoverable from reinsurers. During the year, claims benefit payables have already been settled.

Claims payable on - optional reserve represents benefit filed or reported to the Mutual Benefit Association but not yet paid as of the end of the accounting period. It includes claims due and unpaid, claims in the course of settlement, resisted claims and those which are incurred but not reported.

Accrued expenses represent unpaid salaries and other benefits of Association's employee during the year.

Accrued interest represents accrual of financing charges on advance deposits made by MICOOP - Damayan 2016 enrollees during the year.

Claims benefit payable – resisted represents the sum of the individual amounts claimed on which membership certificates which the MBA has been notified that its decision to deny liability, either in whole or in part, is being challenged and on which the contest has not yet been resolved. During the year, claims benefit payables – resisted have already been settled.

Others mainly consist of unidentified deposits in the Association’s bank account. Had the nature of the deposits identified, it will be classified in an appropriate account.

Note 17 - POST - EMPLOYMENT BENEFIT LIABILITY

The Board of Trustees duly approved the adoption of R.A. 7641, the provision on providing retirement benefits to its employees. The Association’s accrued retirement expense amounted to P354,576 and P546,284 as at December 31, 2016 and 2015, respectively.

Actuarial valuations were performed to determine the retirement expenses and liability to be recognized in the financial statement of NATCCO MBAI for the period ending December 31, 2015 in accordance with the International Accounting Standards No. 19 (IAS 19) and to determine appropriate amounts for funding.

The Projected Unit Credit (PUC) method of valuation was used.

The discount rate used was 4.55% p.a. which was based on approximated zero-coupon yield of government bonds with remaining period to maturity approximating the estimated average duration of benefit payment. The average duration is estimated to be 16 years.

To approximate the zero-coupon yield for a given period to maturity, the prevailing yield of coupon –paying government bonds with the same period to maturity, as published by the Philippine Dealing Exchange (PDEX), was simply adopted. This approximation method is based on the principle that zero-coupon bond yields could be higher or lower than the coupon-paying bond yields depending on interest rate outlook and Investors’ liquidity requirements as shown by a study of actual market transactions and thus, such rates should be close on the average. All other popular methods produce result consistently lower or high than the coupon-paying yield given a normal yield curve.

The salary increase rate was assumed at 5.00% per annum taking into consideration the prevailing inflation rate and company policy.

The movement in the net liability recognized in the financial position, are presented as follows:

	<u>2 0 1 6</u>	<u>2 0 1 5</u>
Net defined benefit liability, beginning	546,284	391,484
Add: Post-employment benefit cost	137,125	289,169
Prior years accrual adjustments	(279,804)	391,485
Less: Benefit liability released	-	(449,434)
Remeasurement of net defined benefit liability	<u>(49,029)</u>	<u>(76,420)</u>
Net defined benefit liability, end	<u><u>354,576</u></u>	<u><u>546,284</u></u>

The changes in present value of defined benefit obligation are presented as follows:

	<u>2 0 1 6</u>	<u>2 0 1 5</u>
Present value of defined benefit liability, beginning	546,284	391,484
Current service cost	137,125	289,169
Deviations of experience from assumptions	<u>(328,833)</u>	<u>(134,369)</u>
Present value of defined benefit liability, end	<u><u>354,576</u></u>	<u><u>546,284</u></u>

Note 18 - RECEIPTS

The account consists of the following:

	<u>2 0 1 6</u>	<u>2 0 1 5</u>
Members contribution	15,912,058	4,085,565
Premiums	6,712,002	4,848,594
Donations and contributions received	<u>-</u>	<u>7,871,840</u>
Total	<u><u>22,624,060</u></u>	<u><u>16,805,999</u></u>

Member's contributions represent considerations given by the member in exchange for the promises of the MBA to pay; stipulated sum in the event of a loss covered under the basic benefits indicated in the Internal Rules and Regulations (IRR) of the MBA and/or membership certificates.

Reinsurance commissions represent commission derived from ceded business.

Note 19 - BENEFIT

The account consists of the following:

	<u>2 0 1 6</u>	<u>2 0 1 5</u>
Net benefit/claims expenses - basic benefits	4,362,000	634,040
Marketing, advertising and promotion	2,029,512	1,174,227
Insurance expense	1,679,886	5,100,307
Net benefit/claims expenses -optional - micro	1,217,000	444,400
Benefit/claim expense - incurred but not yet reported	467,303	-
Increase in reserve for optional benefit - micro	258,621	466,016
Net benefit/claims expenses - basic benefits (burial)	118,000	-
Increase in reserve for basic contingent benefit	72,314	734,115
Interest expense and financing charges	-	36,119
Interest on individual equity value	<u>-</u>	<u>33,634</u>
Total	<u><u>10,204,636</u></u>	<u><u>8,622,858</u></u>

Net benefit/claims expenses – basic benefits is computed as follows:

	<u>2 0 1 6</u>	<u>2 0 1 5</u>
Benefits/claims expenses - basic benefits	4,362,000	1,909,040
Net benefit/claims expenses - basic benefits (burial)	258,621	
Benefits/claims recovery - basic benefits	-	(1,275,000)
Benefits/claims recovery - basic benefits (burial)	-	-
Net benefit/claims expenses - basic benefits	<u>4,620,621</u>	<u>634,040</u>

Net benefit/claims expenses – optional - micro is computed as follows:

	<u>2 0 1 6</u>	<u>2 0 1 5</u>
Benefits/claims expenses - optional - micro	1,937,300	1,261,100
Benefits/claims recovery - optional - micro	(720,300)	(816,700)
Net benefit/claims expenses -optional - micro	<u>1,217,000</u>	<u>444,400</u>

Benefits/claims expense represents the aggregate losses and claims, including refund of equity value, if any, against the MBA arising from the certificates and insurance contracts issued to members. This can be further classified into basic and optional premium.

Insurance expense represents premium paid on insurance coverage of office building, furniture, fixtures and equipment, IT equipment, vehicles and others. It also includes premium charges on the surety/fidelity bond of the accountable officers and staff.

Note 20 - OPERATING EXPENSES

The account consists of the following:

	<u>2 0 1 6</u>	<u>2 0 1 5</u>
Salaries, wages and benefits	1,759,198	1,919,826
Employee welfare and benefits	1,264,508	1,023,897
Meetings and conferences	407,520	436,966
Utilities expense	262,030	292,317
Technical and professional fees	219,693	598,840
Professional and technical development	218,747	69,437
Post-employment benefit costs (Note 17)	137,125	289,169
Taxes, licenses and fees (Note 25)	131,597	43,071
Representation and travel expenses	123,156	145,249
SSS/EC/Pag-ibig/Philhealth contributions	112,449	126,972
Dues and subscription	108,960	26,479
Annual general assembly	100,417	66,860
Depreciation expense (Note 11)	68,248	73,510
Office supplies	43,012	74,750
Insurance expense	30,606	15,276

Bank and other charges	15,050	5,758
Investment management fees	9,000	12,000
Repairs and maintenance	6,400	7,413
Amortization (Note 13)	667	-
Service fees	-	57,300
Miscellaneous expense	186,451	59,875
Total	<u>5,204,832</u>	<u>5,344,965</u>

Miscellaneous represents various expenses incurred by the Association incidental to their function and which are not classified on the above listed expenses such as cost incurred in supervision fee, expenses incurred in submission of annual statements to Insurance Commission, late payment of financial statements and General Information Sheet (GIS).

Note 21 - OTHER INCOME

The account consists of the following:

	<u>2016</u>	<u>2015</u>
Interest income - investments (Note 12)	237,770	221,341
Interest income - bank deposits (Note 7)	93,139	11,196
Gain on disposal of property and equipment	-	500
Total	<u>330,909</u>	<u>233,037</u>

Note 22 - ASSIGNED FUNDS

Guaranty funds

The Association, in compliance with the Sec. 405 of the Insurance Code of the Philippines (as amended by R.A. No. 10607, dated August 15, 2013), has constituted and established a guaranty fund which is deposited with the Insurance Commission as a primary requirement for license to operate of every mutual benefit association. Any accrual to such fund, be it interest earned or dividend additions on moneys or securities so deposited, may, be withdrawn by the Association if there is no pending benefit claim against it, including interest thereon or dividend additions.

Any increase in the guaranty fund must be in accordance with Sec. 410 of the Insurance Code of the Philippines (as amended by R.A. No. 10607, dated August 15, 2013) wherein 'every mutual benefit association must accumulate and maintain, out of periodic dues collected from its members, sufficient reserves for the payment of claims or obligations'. Also, a reserve liability shall be established in accordance with actuarial procedures and shall be approved by the Commissioner.

Net contribution from members, set up by the Association amounted to P3,362,466 and P822,513 for the years ended December 31, 2016 and 2015, respectively.

Allocation of free and unassigned funds fund balance

During the year 2016, the Association, in compliance with the Sec. 408 of the Insurance Code of the Philippines (as amended by R.A. No. 10607) has allocated unassigned surplus (in excess of 20% of total liabilities per audited financial statement ending December 31, 2015) to the following accounts;

	<u>Allocation</u>	<u>Utilization/Adjustment</u>
Member's Benefits	1,110,359.86	-
Office/Services Upgrading	444,143.94	(32,413.81)
Product Development	<u>666,216.00</u>	<u>45,741.70</u>
Total	<u><u>2,220,719.81</u></u>	<u><u>13,327.89</u></u>

Note 23 - PRIOR PERIOD ADJUSTMENTS

Prior period adjustments are omissions from, and misstatements in, the Association's financial statements for one or more periods arising from a failure to use, or misuse of, reliable information. These adjustments pertain to the following adjustments;

Membership Certificate Loans/Cont. Loans	1,046,498
Prior year expenses	212,090
Membership Certificate Loans	348,990
Previous years claims	48,689
Equity valuation reserves	<u>3,355,464</u>
Total	<u><u>5,011,732</u></u>

Note 24 - INCOME TAX

The Association is not subject to income tax under Section 30 (c) of the National Internal Revenue Code with respect to income received from its not-for-profit activities such as donations, gifts or charitable contributions. However, income from any of its properties, real and personal, or from any of its activities conducted for profit shall be subject to income tax.

Interest earnings on deposits of members with Association, as well as the shares of its members from the net income of the Association shall be exempt from income tax. (BIR Ruling No. 347-98 dated July 28, 1998).

The application for tax exemption of the Association was received by the Bureau of Internal Revenue (BIR) dated May 27, 2014, other documents required were received on August 17, 2015 and was still awaiting for BIR's approval and issuance of the certificate of tax exemption.

Note 25 - SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR)

Presented below is the supplementary information, which is required by the BIR under its existing revenue regulations to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

25.1 Requirements under Revenue Regulation 15 – 2010

In compliance with BIR Revenue Regulation No.15-2010 (amending certain provision of Sec. 2 of RR No. 21- 2002), which requires addition to the disclosures mandated under the Philippine Financial Reporting Standards, and such other standards and convention, the Notes to the Financial Statements shall include information on taxes, duties and license fees paid or accrued during the taxable year particularly on the following which is applicable to the Association:

- (a) *Value Added Tax*
The Association is not a VAT-registered entity.
- (b) *Taxes on Importation*
The Association did not have any importation during the year.
- (c) *Excise Tax*
The Association did not have any transaction in 2016 which is subject to excise tax.
- (d) *Documentary Stamp Tax*
The Association did not pay documentary stamp tax during the year.
- (e) *Taxes and Licenses*
The details of taxes and licenses account are as follows:

	<u>2 0 1 6</u>	<u>2 0 1 5</u>
<u>Local</u>		
Business permit, clearance and registration	30,758	10,465
Others	-	2,106
	<u>30,758</u>	<u>12,571</u>
<u>National</u>		
Certificate of accreditation	90,000	30,000
Annual registration	500	500
	<u>90,500</u>	<u>30,500</u>
Total	<u><u>121,258</u></u>	<u><u>43,071</u></u>

(f) *Withholding Taxes*

The total withholding taxes for the year ended December 31, 2016 are shown below.

	<u>Paid</u>	<u>Accrued</u>
Compensation and employee benefits	239,028	9,772
Expanded	<u>104,444</u>	<u>-</u>
Total	<u><u>343,473</u></u>	<u><u>9,772</u></u>

(g) *Deficiency Tax Assessments and Tax Cases*

As of December 31, 2016, the Association does not have any final deficiency tax assessment from the BIR nor does it have tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.

25.2 Requirements under Revenue Regulation No. 19 – 2011

Revenue Regulations No. 19 – 2011 requires schedules of taxable revenues and other non-operating income, costs of sales and/or services, itemized deductions and other significant tax information, to be disclosed in the notes to the financial statements.

The amounts of taxable revenues and income, and deductible costs and expenses presented below are based on relevant tax regulations issued by the BIR, hence, may not be the same as the amounts of revenues reflected in the 2016 statement of comprehensive income, which is based on PFRS.

(a) *Taxable Revenue*

The Association no had taxable revenue for the year ended December 31, 2016.

(b) *Deductible Cost of Services*

The Association has no deductible costs of services under regular tax regime for December 31, 2016.

(c) *Taxable Other Income*

The Association has no taxable other income in 2016, which are subject to regular tax rate.

(d) *Itemized Deductions*

The amounts of itemized deductions under the regular tax regime for the year ended December 31, 2016 follow:

Benefit expenses	10,204,636
Operating expenses	<u>5,204,832</u>
Total	<u><u>15,409,468</u></u>

Note 26 - RELATED PARTY TRANSACTIONS

The gross remuneration of the key management personnel of the Association as of December 31, 2016 amounted to P796,000 pertaining to short-term benefits.

Note 27 - EVENTS AFTER THE REPORTING PERIOD

An entity shall adjust the amounts recognized in its financial statements to reflect adjusting events after the reporting period.

An entity shall not adjust the amounts recognized in its financial statements to reflect non-adjusting events after the reporting period. If non-adjusting events after the reporting period are material, non-disclosure could influence the economic decisions of users taken on the basis of financial statements. Accordingly, an entity shall disclose the following for each material category of non-adjusting event after the reporting period:

- a) the nature of the event; and
- b) an estimate of its financial effect or a statement that such an estimate cannot be made.

The Association has evaluated subsequent events through _____, which is the date of the financial statements were available to be issued.

**INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION
FILED SEPARATELY FROM THE BASIC FINANCIAL STATEMENTS**

**The Members and the Board of Trustees
NATIONAL CONFEDERATION OF COOPERATIVES
MUTUAL BENEFIT ASSOCIATION, INC.
227 J.P. Rizal Street, Bayanihan
Project 4, Quezon City**

We have audited the financial statements of **NATIONAL CONFEDERATION OF COOPERATIVES MUTUAL BENEFIT ASSOCIATION, INC.**, as at and for the year ended December 31, 2016, on which we have rendered the attached report, dated _____. The supplementary information of the Schedule of Financial Reporting Framework as at December 31, 2016, as required by Part I, Section 4 (J) of Rule 68 of the Securities Regulation Code, is presented for purposes of filing with the Securities and Exchange Commission and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in the audits of the basic financial statements. In our opinion, the supplementary information has been prepared in accordance with Part I, Section 4 (J) of Rule 68 of the Securities Regulation Code.

BANARIA, BANARIA AND COMPANY, CPAs

By: **IRENISA D. LAYCO**
Partner
CPA Certificate No. 44776
Tax Identification No. 131-939-866
PTR No. 3804467-C, January 5, 2017, Quezon City
CTC No. 34599651, January 6, 2017, Quezon City
BOA Accreditation No. 0030, valid until December 31, 2018 (Firm)
SEC Accreditation No. 0260-FR-1, valid until May 1, 2019 (Firm)
SEC Accreditation No. 1418-A, valid until April 30, 2017 (Partner)
BIR Accreditation No. 07-000931-1-2015, valid until September 3, 2018 (Partner)
BIR Accreditation No. 07-000364-3-2014, valid until December 21, 2017 (Firm)

NATIONAL CONFEDERATION OF COOPERATIVES MUTUAL BENEFIT ASSOCIATION, INC.
SCHEDULE OF PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS
Adopted by the Securities and Exchange Commission and Financial Reporting Standards Council
As of December 31, 2016

Philippine Financial Reporting Standards and Interpretations		Adopted	Not Adopted	Not Applicable
Effective as of December 31, 2015				
Framework for the Preparation and Presentation of Financial Statements				
Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
<u>Philippine Accounting Standards (PAS)</u>				
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	✓		
	Amendment to PAS 1: Disclosure Initiative*	Not early adopted		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of servicing equipment	✓		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation	✓		
	Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*	Not early adopted		
	Amendments to PAS 16: Bearer Plants*			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits			✓
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions			✓

Philippine Financial Reporting Standards and Interpretations Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 19 (Revised)	Employee Benefits			✓
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions			✓
	Amendments to PAS 19: Regional Market Issue regarding Discount Rate*			✓
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	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plan	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendment to PAS 27: Equity Method in Separate Financial Statements*			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendment to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interest in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
	Amendments to PAS 34: Interim financial reporting and segment information for total assets and liabilities			✓
	Amendments to PAS 34: Disclosure of Information 'elsewhere in the interim financial report' *			✓
PAS 36	Impairment of Assets	✓		

Philippine Financial Reporting Standards and Interpretations Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 16 and 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: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Reclassification of Financial Assets	✓		
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40: Interrelationship between PFRS 3 and PAS 40			✓
PAS 41	Agriculture			✓
	Amendment to PAS 41: Bearer Plants*			✓
<u>Philippine Financial Reporting Standards</u>				
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			✓

Philippine Financial Reporting Standards and Interpretations
Effective as of December 31, 2015

	Adopted	Not Adopted	Not Applicable
			✓
			✓
			✓
	✓		
PFRS 2			✓
			✓
			✓
			✓
PFRS 3 (Revised)			✓
			✓
			✓
PFRS 4			✓
			✓
PFRS 5			✓
			✓
PFRS 6			✓
PFRS 7	✓		
	✓		
	✓		
	✓		
	✓		
	✓		
		Not early adopted	
			✓

Philippine Financial Reporting Standards and Interpretations Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
	Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*			✓
PFRS 8	Operating Segments			✓
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 9	Financial Instruments (2010 version)		Not early adopted	
	Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)*			✓
	Financial Instruments (2014 or final version)*		Not early adopted	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		Not early adopted	
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendment to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendment to PFRS 10 and PAS 28: Investment Entities - Applying the Consolidation Exemption*			✓
PFRS 11	Joint Arrangements			✓
	Amendment to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations*			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Short-term receivable and payables	✓		
	Amendments to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts*			✓
IFRS 15	Revenue from Contracts with Customers**		Not early adopted	
IFRS 16	Leases****		Not early adopted	
<u>Philippine Interpretations - International Financial Reporting Interpretation Committee (IFRIC)</u>				
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	✓		

Philippine Financial Reporting Standards and Interpretations Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
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: 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			✓
	Amendment to Philippine Interpretation IFRIC-14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate***			✓
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			✓
<u>Philippine Interpretations - Standing Interpretation Committee (SIC)</u>				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓

Philippine Financial Reporting Standards and Interpretations
Effective as of December 31, 2015

		Adopted	Not Adopted	Not Applicable
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

* *Approved by FRSC but still for approval of BOA.*

** *New standard issued by the IASB has not yet been adopted by the FRSC.*

*** *The effective date of Philippine Interpretation IFRIC-15 was deferred, until the final Revenue standard is issued by the International Accounting Standards Board, and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.*

**** *Early application is permitted but only if IFRS 15 is applied at or before the date of initial application of IFRS 16.*