



104182018002066

**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

Barcode Page**The following document has been received:****Receiving Officer/Encoder** : Roberto V. Abitria**Receiving Branch** : Legaspi City Branch**Receipt Date and Time** : April 18, 2018 02:07:30 PM**Received From Head Office** : April 18, 2018 02:07:30 PM

Company Representative

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Company Information

SEC Registration No. CN200902141

Company Name SIMBAG SA EMERHENSYA ASIN DAGDAG PASEGURO MUTU-
AL BENEFIT ASSOCIATION (SEDP MBA) INC.

Industry Classification

Company Type

Document Information

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| Document ID | 104182018002066 |
| Document Type | FINANCIAL STATEMENT-ANNUAL |
| Document Code | FS |
| Period Covered | December 31, 2017 |
| No. of Days Late | 0 |
| Department | CED/CRMD |
| Remarks | |

Reason for Edit Receipt Date: System Down

COVERS SHEET for AUDITED FINANCIAL STATEMENTS

BUREAU OF INTERNAL REVENUE
REGULATORY UNIT
LEGASPI CITY
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SEC Registration Number

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Tax Identification Number

Company Name

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Principal Office (No. /Street/Barangay/City/Town/Province)

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| T | , | L | E | G | A | S | P | I | C | I | T | Y | , | P | H | I | L | I | P | P | I | N | E | S | | | | | |
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(Form Type)

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(Department Requiring the Report)

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Secondary License Type, if Applicable)

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COMPANY INFORMATION

Company's Email Address

sedp_mba@yahoo.com.ph

Company's Telephone Number

052-481-4449

Mobile Number

No. of Stockholder

Annual Meeting (Month/Day)

Fiscal Year (Month/Day)

12/31/2017

CONTACT PERSON INFORMATION

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

Name of Contact Person

Fr. Rex Paul B. Arjona

Email Address

Telephone Number/s

052-481-4449

Mobile Number/s

Contact Person's Address

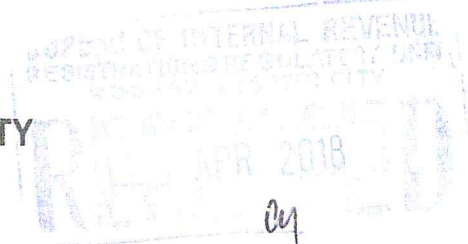
San Ramon Nonato Church, Tagas, Daraga, Albay

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incidents shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.



**Simbag sa Emerhensya asin Dagdag Paseguro
Mutual Benefit Association Inc. (SEDPMBA)**
3/F The Chancery, Cathedral Compound
Old Albay District, Legazpi City, Philippines
Telefax: (052) 481-4449
Email: sedp_mba@yahoo.com.ph

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS



The management of Simbag sa Emerhensya Asin Dagdag Paseguro Mutual Benefit Association (SEDPMBA), Inc. is responsible for the preparation and fair presentation of its financial statements for the years ended December 31, 2017 and 2016, in accordance with Philippine Financial Reporting Standards (PFRSs), 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 not realistic alternative but to do so.

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

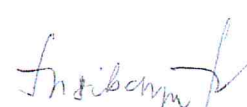
The Board of Trustees reviews and approves the financial statements and submits the same to the members of the Association.

Quilab & Garsuta, CPAs, the independent auditors appointed by the Board of Trustees for the period December 31, 2017, and Quilab, Cabilin, Bato & Co., CPAs for the period December 31, 2016, have audited the financial statements of the Association in accordance with Philippine Standards on Auditing, and in its report to the Board of Trustees, have expressed their opinions on the fairness of presentation upon completion of such audits.

April 9, 2018, Legazpi City, Albay, Philippines.


FR. REX PAUL B. ARJONA
President


ROBERTO A. DALIT
MBA Manager


MARILYN S. IBARRETA
Treasurer

CERTIFICATION

INSURANCE COMMISSION
1071 United Nations Avenue
Manila

Gentlemen:

In connection with our engagement in the audit of the financial statements of Simbag sa Emerhensya Asin Dagdag Paseguro Mutual Benefit Association (SEDP MBA), Inc. for the year ended December 31, 2017, we hereby certify:

1. That there were no weakness or breach in the internal control and risk management of the Association that are material enough to warrant modifications of our report nor were there matters that came to our attention that need our direct reporting to the Insurance Commission (IC);
2. That we have nothing to report to the Insurance Commission (IC) with regard to items enumerated under Section 10 of Circular No. 29-2009, that came to our attention during the audit (e.g. fraud, under-reserving of IBNR, breach of laws, material internal control weaknesses, etc.), and
3. That the engagement partner, manager and auditor-in-charge of the engagement and the members of their immediate families do not have any direct or indirect financial interest with the Association, and their independence is not considered impaired under the circumstances specified in the Code of Professional Ethics for Certified Public Accountants.


This certification is issued in compliance with the requirements mandated by the Insurance Commission (IC) in its Circular No. 29-2009, dated November 10, 2009.

Done this 11th day of April 2018 at Cagayan de Oro City, Philippines.


RICO P. QUILAB
Engagement Partner

SUBSCRIBED AND SWORN to before me this 11th day of April 2018 affiant exhibited to me his PRC Identification Number 0046034 valid until December 29, 2020.

Doc. No. 270
Page No. 54
Book No. 34
Series of 2018.


ATTY. MARILEN VELAZADA - ROSABAL
Notary Public until December 31, 2018
PTR No. 8638468 / 12-14-17
ISP No. 1080097 / 12-14-17
Roll No. 53682 / MCLE V-0008160
TIN No. 947-407-463-000 / NC-2017-018

Subject: Tax Return Receipt Confirmation

From: ebirforms-noreply@bir.gov.ph

To: qcb_co@yahoo.com

Date: Wednesday, April 11, 2018, 8:21:52 PM GMT+8

This confirms receipt of your submission with the following details subject to validation by BIR:

File name: 007245537000-1702EX-1217.xml

Date received by BIR: 11 April 2018

Time received by BIR: 08:03 PM

Penalties may be imposed for any violation of the provisions of the NIRC and issuances thereof.

FOR RETURNS WITH PAYMENT

Please print this e-mail together with the RETURN and proceed to pay through the Authorized Agent Bank / Collection Agent / GCASH or use other payment options.

This is a system-generated email. Please do not reply.

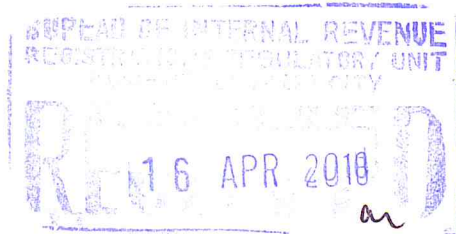
Bureau of Internal Revenue

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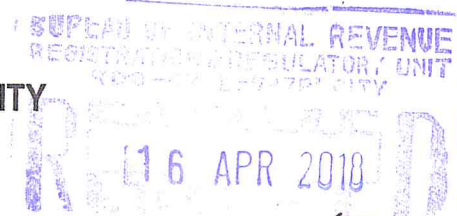




**Simbag sa Emerhensya asin Dagdag Paseguro
Mutual Benefit Association Inc. (SEDPMBA)**

3/F The Chancery, Cathedral Compound
Old Albay District, Legazpi City, Philippines
Telefax: (052) 481-4449
Email: sedp_mba@yahoo.com.ph

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR ANNUAL INCOME TAX RETURNS**



The management of Simbag sa Emerhensya Asin Dagdag Paseguro Mutual Benefit Association (SEDPMBA), Inc. is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2017. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Further-more, management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the valued added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, management affirms that the attached audited financial statements for the year ended December 31, 2017, and the accompanying Annual Income Tax Return are in accordance with the books and records of Simbag sa Emerhensya Asin Dagdag Paseguro Mutual Benefit Association (SEDPMBA), Inc., complete and correct in all material respects.

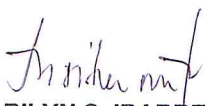
Management likewise affirms that:

- a) The Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- b) Any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules have been reported as reconciling items and maintained in the Association's books and records in accordance with the requirements of Revenue Regulation No. 8-2007 and other relevant issuances;
- c) Simbag sa Emerhensya Asin Dagdag Paseguro Mutual Benefit Association (SEDPMBA), Inc. has filed all applicable returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

April 9, 2018, Legazpi City, Albay, Philippines.


FR. REX PAUL B. ARJONA
President


ROBERTO A. DALIT
MBA Manager


MARILYN S. IBARRETA
Treasurer

For BIR
Use OnlyBCS/
Item

1702-EX06/13P1

Republika ng Pilipinas
Kagawaran ng Pananalapi
Kawanihan ng Rentas Internas**Annual Income Tax Return**For Use ONLY by Corporation, Partnership and Other Non-Individual
Taxpayer EXEMPT Under the Tax Code, as Amended, [Sec. 30 and
those exempted in Sec. 27(C)] and Other Special Laws,
with NO Other Taxable IncomeEnter all required information in CAPITAL LETTERS using BLACK ink. Mark applicable
boxes with an "X". Two copies MUST be filed with the BIR and one held by the taxpayer.

BIR Form No.

1702-EX

June 2013

Page 1

| | | | |
|--|---|--|---|
| 1 For <input checked="" type="checkbox"/> Calendar <input type="checkbox"/> Fiscal | 3 Amended Return? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4 Short Period Return? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5 Alphabetic Tax Code (ATC) IC 011 <input type="checkbox"/> Exempt Corporation on Exempt Activities <input checked="" type="checkbox"/> IC 021 <input type="checkbox"/> General Professional Partnership <input type="checkbox"/> |
| 2 Year Ended (MM/DD/YY) 12 / 20 17 | | | |

Part I - Background Information

| | | | |
|---|---------------------------------|------------|-------|
| 6 Taxpayer Identification Number (TIN) | 0 0 7 - 2 4 5 - 5 3 7 - 0 0 0 0 | 7 RDO Code | 0 6 7 |
| 8 Date of Incorporation/Organization (MM/DD/YYYY) | 0 2 / 1 7 / 2 0 0 9 | | |
| 9 Registered Name (Enter only 1 letter per box using CAPITAL LETTERS) S I M B A G S A E M E R H E N S Y A A S I N D A G D A G P A S E G U R O M U T U A L B E N E F I T A S S O C I A T I O N (S E D P M B A) , I N C | | | |
| 10 Registered Address (Indicate complete registered address) C A T H E D R A L C O M P O U N D , A L B A Y D I S T R I C T , L E G A Z P I C I T Y | | | |
| 11 Contact Number | 12 Email Address | | |
| 4 8 1 4 - 4 4 9 | qcb_co@yahoo.com | | |
| 13 Main Line of Business | 14 PSIC Code | | |
| MUTUAL BENEFIT ASSOCIATION | 9 1 9 9 | | |
| 15 Method of Deduction Itemized Deductions [Sections 34 (A-J), NIRC] | | | |

| | |
|--|--|
| 16 Legal Basis of Tax Relief/Exemption (Specify) SEC 30-C | 17 Investment Promotion Agency (IPA)/Government Agency SEC |
| 18 Registered Activity/Program (Reg. No.) SEC 30-C | 19 Effectivity Date of Tax Relief/Exemption From 0 2 / 1 7 / 2 0 0 9 To 0 2 / 1 7 / 2 0 5 9 |

Part II - Total Tax Payable

(Do NOT enter Centavos)

| | |
|--|-------|
| 20 Total Income Tax Due (From Part IV Item 41) | 0 0 0 |
| 21 Add: Penalty - Compromise | 0 |
| 22 TOTAL AMOUNT PAYABLE (Sum of Items 20 & 21) | 0 |

We declare under the penalties of perjury, that this annual return has been made in good faith, verified by us, and to the best of our knowledge and belief, is true and correct pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof. (If Authorized Representative, attach authorization letter and indicate TIN.)

FR. REX PAUL B. ARJONA

| | |
|---|--|
| Signature over printed name of President/Principal Officer/ Authorized Representative | Signature over printed name of Treasurer/Assistant Treasurer |
| Title of Signatory | Number of pages filed |
| 23 Community Tax Certificate (CTC) Number/SEC Reg. No. 1 8 1 6 1 5 | 24 Date of Issue (MM/DD/YYYY) 0 1 / 3 0 / 2 0 1 8 |
| 25 Place of Issue LEGAZPI CITY | 26 Amount, if CTC 500 |


Part III - Details of Payment


| Details of Payment | Drawee Bank/ Agency | Number | Date (MM/DD/YYYY) | Amount |
|---------------------------|---------------------|--------|-------------------|--------|
| 27 Cash/Bank Debit Memo | | | / / | 0 |
| 28 Check | | | / / | 0 |
| 29 Tax Debit Memo | | | / / | 0 |
| 30 Others (Specify Below) | | | / / | 0 |

Machine Validation / Revenue Official Receipt Details (if not filed with an Authorized Agent Bank)

Stamp of receiving Office/AAB and
Date of Receipt
(RO's Signature/Bank Teller's Initial)

RECEIVED
16 APR 2018

| | | | |
|--|--|--|---|
| Annual Income Tax Return Page 2 | | BIR Form No. 1702-EX June 2013 |  1702-EX06/13P2 |
| TIN 0 0 7 2 4 5 5 3 7 0 0 0 0 | | Registered Name SIMBAG SA EMERHENSYA ASIN DAGDAG PAS | |
| Part IV – Computation of Tax (Do NOT enter Centavos) | | | |
| 31 Net Sales/Revenues/Receipts/Fees (From Schedule 1 Item 6) | | 6 3 , 2 9 7 , 0 2 6 | |
| 32 Less: Cost of Sales/Services (From Schedule 2 Item 27) | | 3 , 1 6 4 , 8 5 1 | |
| 33 Gross Income from Operation (Item 31 Less Item 32) | | 6 0 , 1 3 2 , 1 7 5 | |
| 34 Add: Other Taxable Income Not Subjected to Final Tax (From Schedule 3 Item 4) | | 1 , 6 3 6 , 9 2 6 | |
| 35 Total Gross Income (Sum of Items 33 & 34) | | 6 1 , 7 6 9 , 1 0 1 | |
| Less: Deductions Allowable under Existing Law | | | |
| 36 Ordinary Allowable Itemized Deductions (From of Schedule 4 Item 40) | | 4 7 , 6 8 3 , 9 9 6 | |
| 37 Special Allowable Itemized Deductions (From Schedule 5 Item 5) | | 0 | |
| 38 Total Itemized Deductions (Sum of Items 36 & 37) | | 4 7 , 6 8 3 , 9 9 6 | |
| 39 Net Taxable Income (Item 35 Less Item 38) | | 1 4 , 0 8 5 , 1 0 5 | |
| 40 Income Tax Rate | | 0% | |
| 41 Total Income Tax Due (Item 39 X Item 40) (To Part II Item 20) | | 0 0 0 | |
| Part V - Tax Relief Availment | | | |
| 42 Regular Income Tax Otherwise Due (30% of Part IV Item 39) | | 4 , 2 2 5 , 5 3 2 | |
| 43 Special Allowable Itemized Deductions (30% of Part IV Item 37) | | 0 | |
| 44 Total Tax Relief Availment (Sum of Items 42 & 43) | | 4 , 2 2 5 , 5 3 2 | |
| Part VI - Information - External Auditor/Accredited Tax Agent | | | |
| 45 Name of External Auditor/Accredited Tax Agent RICO P. QUILAB | | | |
| | | 46 TIN | 1 2 9 0 4 0 8 4 1 0 0 0 |
| 47 Name of Signing Partner (If External Auditor is a Partnership) RICO P. QUILAB | | | |
| | | 48 TIN | 1 2 9 0 4 0 8 4 1 0 0 0 |
| 49 BIR Accreditation No. 1 6 - 0 0 5 2 8 7 - 0 0 2 - 2 0 1 5 | | 50 Issue Date (MM/DD/YYYY) 1 2 / 2 9 / 2 0 1 5 | 51 Expiry Date (MM/DD/YYYY) 1 2 / 2 9 / 2 0 1 8 |

| | | | |
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| Annual Income Tax Return Page 3 - Schedules 1 & 2 | | BIR Form No. 1702-EX June 2013 |  1702-EX06/13P3 |
| TIN | | Registered Name | |
| 0 0 7 2 4 5 5 3 7 0 0 0 0 | | SIMBAG SA EMERHENSYA ASIN DAGDAG PAS | |
| Schedule 1 - Sales/Revenues/Receipts/Fees (Attach additional sheet/s, if necessary) | | | |
| 1 Sale of Goods/Properties | | 0 | |
| 2 Sale of Services | | 6 3 , 2 9 7 , 0 2 6 | |
| 3 Lease of Properties | | 0 | |
| 4 Total (Sum of Items 1 to 3) | | 6 3 , 2 9 7 , 0 2 6 | |
| 5 Less: Sales Returns, Allowances and Discounts | | 0 | |
| 6 Net Sales/Revenues/Receipts/Fees (Item 4 Less Item 5) (To Part IV Item 31) | | 6 3 , 2 9 7 , 0 2 6 | |
| Schedule 2 - Cost of Sales (Attach additional sheet/s, if necessary) | | | |
| Schedule 2A - Cost of Sales (For those Engaged in Trading) | | | |
| 1 Merchandise Inventory - Beginning | | 0 | |
| 2 Add Purchase of Merchandise | | 0 | |
| 3 Total Goods Available for Sale (Sum of Items 1 & 2) | | 0 | |
| 4 Less: Merchandise - Ending | | 0 | |
| 5 Cost of Sales (Item 3 Less Item 4) (To Schedule 2 Item 27) | | 0 | |
| Schedule 2B - Cost of Sales (For those Engaged in Manufacturing) | | | |
| 6 Direct Materials, Beginning | | 0 | |
| 7 Add: Purchases of Direct Materials | | 0 | |
| 8 Materials Available for Use (Sum of Items 6 & 7) | | 0 | |
| 9 Less: Direct Materials, Ending | | 0 | |
| 10 Raw Materials Used (Item 8 Less Item 9) | | 0 | |
| 11 Direct Labor | | 0 | |
| 12 Manufacturing Overhead | | 0 | |
| 13 Total Manufacturing Cost (Sum of Items 10, 11 & 12) | | 0 | |
| 14 Add: Work in Process, Beginning | | 0 | |
| 15 Less: Work in Process, Ending | | 0 | |
| 16 Cost of Goods Manufactured (Sum of Items 13 & 14 Less Item 15) | | 0 | |
| 17 Add: Finished Goods, Beginning | | 0 | |
| 18 Less: Finished Goods, Ending | | 0 | |
| 19 Cost of Goods Manufactured and Sold (Sum of Items 16 & 17 Less Item 18) (To Schedule 2 Item 27) | | 0 | |
| Schedule 2C - Cost of Services (For those engaged in Services, indicate only those directly incurred or related to the gross revenue from rendition of services) | | | |
| 20 Direct Charges - Salaries, Wages and Benefits | | 0 | |
| 21 Direct Charges - Materials, Supplies and Facilities | | 0 | |
| 22 Direct Charges - Depreciation | | 0 | |
| 23 Direct Charges - Rental | | 0 | |
| 24 Direct Charges - Outside Services | | 0 | |
| 25 Direct Charges - Others | | 3 , 1 6 4 , 8 5 1 | |
| 26 Total Cost of Services (Sum of Items 20 to 25) (To Schedule 2 Item 27) | | 3 , 1 6 4 , 8 5 1 | |
| 27 Total Cost of Sales/Services (Sum of Items 5, 19 & 26, if applicable) (To Part IV Item 32) | | 3 , 1 6 4 , 8 5 1 | |

Annual Income Tax Return

Page 4 - Schedules 3 & 4

BIR Form No.

1702-EX

June 2013



1702-EX06/13P4

| | |
|---|--------------------------------------|
| TIN | Registered Name |
| 0 0 7 2 4 5 5 3 7 0 0 0 0 | SIMBAG SA EMERHENSYA ASIN DAGDAG PAS |

Schedule 3 - Other Taxable Income Not Subjected to Final Tax (Attach additional sheet/s, if necessary)

| | | |
|---|--|-----------|
| 1 | MEMBERSHIP FEES | 1,632,585 |
| 2 | OTHER INCOME | 4,341 |
| 3 | | 0 |
| 4 | Total Other Taxable Income Not Subjected to Final Tax (Sum of Items 1 to 3) (To Part IV Item 34) | 1,636,926 |

Schedule 4 - Ordinary Allowable Itemized Deductions (Attach additional sheet/s, if necessary)

| | | |
|---|--|------------|
| 1 | Advertising and Promotions | 0 |
| Amortizations (Specify on Items 2, 3 & 4) | | |
| 2 | BENEFITS AND CLAIMS PAID TO MEMBE | 23,464,774 |
| 3 | INCREASE IN AGGREGATE RESERVES FO | 15,033,845 |
| 4 | COLLECTION COST | 5,175,649 |
| 5 | Bad Debts | 0 |
| 6 | Charitable Contributions | 0 |
| 7 | Commissions | 0 |
| 8 | Communication, Light and Water | 32,395 |
| 9 | Depletion | 0 |
| 10 | Depreciation | 57,174 |
| 11 | Director's Fees | 0 |
| 12 | Fringe Benefits | 801,982 |
| 13 | Fuel and Oil | 0 |
| 14 | Insurance | 33,000 |
| 15 | Interest | 0 |
| 16 | Janitorial and Messengerial Services | 0 |
| 17 | Losses | 0 |
| 18 | Management and Consultancy Fee | 76,624 |
| 19 | Miscellaneous | 34,587 |
| 20 | Office Supplies | 107,702 |
| 21 | Other Services | 0 |
| 22 | Professional Fees | 0 |
| 23 | Rental | 0 |
| 24 | Repairs and Maintenance - (Labor or Labor & Materials) | 158,184 |
| 25 | Repairs and Maintenance - (Materials/Supplies) | 0 |
| 26 | Representation and Entertainment | 0 |
| 27 | Research and Development | 0 |
| 28 | Royalties | 0 |
| 29 | Salaries and Allowances | 1,239,086 |

Annual Income Tax Return
Page 5 - Schedules 4, 5 & 6

 BIR Form No.
1702-EX
 June 2013


1702-EX06/13P5

TIN

Registered Name

0 | 0 | 7 | 2 | 4 | 5 | 5 | 3 | 7 | 0 | 0 | 0 | 0

SIMBAG SA EMERHENSYA ASIN DAGDAG PAS

Schedule 4 - Ordinary Allowable Itemized Deductions (Continued from Previous Page)

| | |
|---|---------------------|
| 30 Security Services | 0 |
| 31 SSS, GSIS, Philhealth, HDMF and Other Contributions | 0 |
| 32 Taxes and Licenses | 1 1 2 , 1 1 2 |
| 33 Tolling Fees | 0 |
| 34 Training and Seminars | 7 3 2 , 6 3 6 |
| 35 Transportation and Travel | 6 0 , 5 3 8 |
| Others [Specify below; Add additional sheet(s) if necessary] | |
| 36 GENERAL ASSEMBLY EXPENSES | 2 8 9 , 1 6 3 |
| 37 ASSOCIATION DUES | 2 7 4 , 5 4 5 |
| 38 | 0 |
| 39 | 0 |
| 40 Total Ordinary Allowable Itemized Deductions (Sum of Items 1 to 39) (To Part IV Item 36) | 4 7 , 6 8 3 , 9 9 6 |

Schedule 5 - Special Allowable Itemized Deductions (Attach additional sheet/s, if necessary)

| | Description | Legal Basis | Amount |
|--|-------------|-------------|--------|
| 1 | | | 0 |
| 2 | | | 0 |
| 3 | | | 0 |
| 4 | | | 0 |
| 5 Total Special Allowable Itemized Deductions (Sum of Items 1 to 4) (To Part IV Item 37) | | | 0 |

Schedule 6 - Reconciliation of Net Income per Books Against Taxable Income (Attach additional sheet/s, if necessary)

| | |
|---|---------------------|
| 1 Net Income/(Loss) per books | 1 8 , 3 9 8 , 6 8 0 |
| Add: Non-deductible Expenses/Taxable Other Income | |
| 2 | 0 |
| 3 | 0 |
| 4 Total (Sum of Items 1 to 3) | 1 8 , 3 9 8 , 6 8 0 |
| Less: A) Non-taxable Income and Income Subjected to Final Tax | |
| 5 INTEREST AND INVESTMENTS INCOME | 4 , 3 1 3 , 5 7 5 |
| 6 | 0 |
| B) Special Deductions | |
| 7 | 0 |
| 8 | 0 |
| 9 Total (Sum of Items 5 to 8) | 4 , 3 1 3 , 5 7 5 |
| 10 Net Taxable Income (Loss) (Item 4 Less Item 9) | 1 4 , 0 8 5 , 1 0 5 |

Annual Income Tax Return

Page 6 - Schedules 7 & 8

BIR Form No.

1702-EX

June 2013



1702-EX06/13P6


| | |
|---------------------------|--------------------------------------|
| TIN | Registered Name |
| 0 0 7 2 4 5 5 3 7 0 0 0 0 | SIMBAG SA EMERHENSYA ASIN DAGDAG PAS |

Schedule 7 - BALANCE SHEET

| Assets | |
|--|-------------|
| 1 Current Assets | 54,795,068 |
| 2 Long-Term Investment | 149,262,741 |
| 3 Property, Plant and Equipment - Net | 1122,599 |
| 4 Long-Term Receivables | 0 |
| 5 Intangible Assets | 0 |
| 6 Other Assets | 0 |
| 7 Total Assets (Sum of Items 1 to 6) | 204,180,408 |
| Liabilities and Equity | |
| 8 Current Liabilities | 7,210,813 |
| 9 Long-Term Liabilities | 110,894,040 |
| 10 Deferred Credits | 0 |
| 11 Other Liabilities | 0 |
| 12 Total Liabilities (Sum of Items 8 to 11) | 118,104,853 |
| 13 Capital Stock | 0 |
| 14 Additional Paid-in Capital | 0 |
| 15 Retained Earnings | 86,075,555 |
| 16 Total Equity (Sum of Items 13 to 15) | 86,075,555 |
| 17 Total Liabilities and Equity (Sum of Items 12 & 16) | 204,180,408 |

Schedule 8 - ☒ Stockholders ☐ Partners ☐ Members Information (Top 20 stockholders, partners or members)
(On column 3 enter the amount of capital contribution and on the last column enter the percentage this represents on the entire ownership.)

| REGISTERED NAME | TIN | Capital Contribution | % to Total |
|------------------------|-------------------------|----------------------|------------|
| RAMONCITO S. SEGUBIENS | 2 6 9 0 9 6 1 6 2 0 0 0 | 15,000 | 15 |
| PRECIOSA E. BELLEZA | 1 0 1 2 0 2 6 1 7 0 0 0 | 15,000 | 15 |
| MANUEL P. SABATER | 1 4 1 3 7 7 9 2 1 0 0 0 | 14,000 | 14 |
| EMERSON N. MORAL | 1 0 1 2 4 3 5 5 2 0 0 0 | 14,000 | 14 |
| JOSEPHINE B. BRILLANTE | 9 2 6 8 7 9 7 1 5 0 0 0 | 14,000 | 14 |
| EDEN B. NEBREJA | 9 2 5 6 1 9 9 1 4 0 0 0 | 14,000 | 14 |
| AMELITA R. HALCON | 2 6 8 9 6 3 1 8 3 0 0 0 | 14,000 | 14 |
| | | 0 | |
| | | 0 | |
| | | 0 | |
| | | 0 | |
| | | 0 | |
| | | 0 | |
| | | 0 | |
| | | 0 | |
| | | 0 | |
| | | 0 | |
| | | 0 | |
| | | 0 | |
| | | 0 | |
| | | 0 | |
| | | 0 | |
| | | 0 | |

| | | | |
|--|-----------|--|--|
| Annual Income Tax Return Page 7 - Schedules 9 & 10 | | BIR Form No. 1702-EX June 2013 |  1702-EX06/13P7 |
| TIN 0 0 7 2 4 5 5 3 7 0 0 0 0 | | Registered Name SIMBAG SA EMERHENSYA ASIN DAGDAG PAS | |
| Schedule 9- Supplemental Information (Attach additional sheet/s, if necessary) | | | |
| I) Gross Income/ Receipts Subjected to Final Withholding | A) Exempt | B) Actual Amount/Fair Market Value/Net Capital Gains | C) Final Tax Withheld/Paid |
| 1 Interests | 0 | 0 | 0 |
| 2 Royalties | 0 | 0 | 0 |
| 3 Dividends | 0 | 0 | 0 |
| 4 Prizes and Winnings | 0 | 0 | 0 |
| II) Sale/Exchange of Real Properties | | A) Sale/Exchange #1 | B) Sale/Exchange #2 |
| 5 Description of Property (e.g., land, improvement, etc.) | | | |
| 6 OCT/TCT/CCT/Tax Declaration No. | | | |
| 7 Certificate Authorizing Registration (CAR) No. | | | |
| 8 Actual Amount/Fair Market Value/Net Capital Gains | | 0 | 0 |
| 9 Final Tax Withheld/Paid | | 0 | 0 |
| III) Sale/Exchange of Shares of Stock | | A) Sale/Exchange #1 | B) Sale/Exchange #2 |
| 10 Kind (PS/CS) / Stock Certificate Series No. | | P S / | P S / |
| 11 Certificate Authorizing Registration (CAR) No. | | | |
| 12 Number of Shares | | 0 | 0 |
| 13 Date of Issue (MM/DD/YYYY) | | □□/□□/□□□□ | □□/□□/□□□□ |
| 14 Actual Amount/Fair Market Value/Net Capital Gains | | 0 | 0 |
| 15 Final Tax Withheld/Paid | | 0 | 0 |
| IV) Other Income (Specify) | | A) Other Income #1 | B) Other Income #2 |
| 16 Other Income Subject to Final Tax Under Sections 57(A)/127/others of the Tax Code, as amended (Specify) | | | |
| 17 Actual Amount/Fair Market Value/Net Capital Gains | | 0 | 0 |
| 18 Final Tax Withheld/Paid | | 0 | 0 |
| 19 Total Final Tax Withheld/Paid (Sum of Items 1C to 4C, 9A, 9B, 15A, 15B, 18A & 18B) | | | 0 |
| Schedule 10- Gross Income/Receipts Exempt from Income Tax | | | |
| 1 Return of Premium (Actual Amount/Fair Market Value) | | | 0 |
| I) Personal/Real Properties Received thru Gifts, Bequests, and Devises | | A) Personal/Real Properties #1 | B) Personal/Real Properties #2 |
| 2 Description of Property (e.g., land, improvement, etc.) | | | |
| 3 Mode of Transfer (e.g. Donation) | | | |
| 4 Certificate Authorizing Registration (CAR) No. | | | |
| 5 Actual Amount/Fair Market Value | | 0 | 0 |
| II) Other Exempt Income/Receipts | | A) Other Exempt Income #1 | B) Other Exempt Income #2 |
| 6 Other Exempt Income/Receipts Under Sec. 32 (B) of the Tax Code, as amended (Specify) | | | |
| 7 Actual Amount/Fair Market Value/Net Capital Gains | | 0 | 0 |
| 8 Total Income/Receipts Exempt from Income Tax (Sum of Items 1, 5A, 5B, 7A & 7B) | | | 0 |

**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY INCOME TAX RETURNS**

Accreditations
PRC/BOA 7787 07.05.20
SEC, BSP, IC, NEA, CDA
MISEREOR

The Board of Trustees and Members
**Simbag sa Emerhensya Asin Dagdag Paseguro Mutual
Benefit Association (SEDP MBA), Inc.**
3/F The Chancery, Cathedral Compound
Old Albay District, Legazpi city

We have audited the accompanying financial statements of Simbag sa Emerhensya Asin Dagdag Paseguro Mutual Benefit Association (SEDP MBA), Inc., for the year ended December 31, 2017, on which we have rendered the attached report dated April 9, 2018.

In compliance with Revenue Regulation V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the Chairman, General Manager or principal officers of the Association.

QUILAB & GARSUTA, CPAs

By:


RICO P. QUILAB

Partner

CPA Cert. No. 46034

TIN No. 129-040-841

PRC/BOA Cert. No. 7787 (07.05.2020)

BIR No. 16-005287-002-2015 (12.29.18)

SEC No. 0906-AR-2 (7.27.2019)

IC No. SP-2017/025-R (12.07.20)

PTR No. 2668893 A

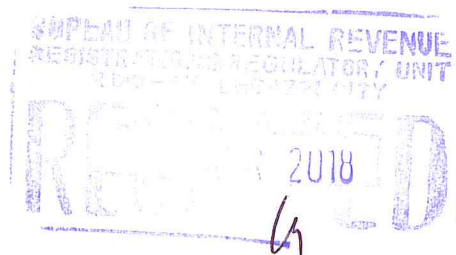
January 3, 2018

Cagayan de Oro City

April 9, 2018
Cagayan de Oro City, Philippines

REPORT OF INDEPENDENT AUDITORS

The Board of Trustees and Members
**Simbag sa Emerhensya Asin Dagdag Paseguro Mutual
Benefit Association (SEDP MBA), Inc.**
3/F The Chancery, Cathedral Compound
Old Albay District, Legazpi city



Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Simbag sa Emerhensya Asin Dagdag Paseguro Mutual Benefit Association (SEDP MBA), Inc., which comprise the statements of financial position as at December 31, 2017, and the statement of revenue and expenses, statement of changes in equity and statement of cash flows for the year then ended, and notes to financial statements comprising of a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all materials respects, the financial position of Simbag sa Emerhensya Asin Dagdag Paseguro Mutual Benefit Association (SEDP MBA), Inc. as at December 31, 2017, and of its financial performance and its cash flows for the year then ended, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

The management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, 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 disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Association to cease to continue as a going concern.

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.

Other Matter

The financial statements of Simbag sa Emerhensya Asin Dagdag Paseguro Mutual Benefit Association (SEDP MBA), Inc., as of and for the year ended December 31, 2016, were audited by the undersigned as a Partner of Quilab, Cabilin, Bato & Co., CPAs, with our unqualified report thereon, dated April 12, 2017.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties and license fees in Note 23 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as whole.

Report on the Supplementary Information Required by SRC Code Rule 68, As Amended (2011)

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedule in Annex 1: Effective Standards and Interpretations Under PFRS as of December 31, 2017, Adopted as of September 30, 2016, is presented for the purpose of complying with the requirements of Part 1, Section 4 of the Securities Regulation Code Rule 68, As Amended (2011), and are not required parts of the basic financial statements. Such information is the responsibility of the Association's management. The information in such supplementary schedules has been subjected to the auditing procedures applied in the audits of the basic financial statements. In our opinion, the information is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole and has been prepared in accordance with SRC Rule 68.

QUILAB & GARSUTA, CPAs

By: 



RICO P. QUILAB

Partner

CPA Cert. No.46034

TIN No. 129-040-841

PRC/BOA Cert. No. 7787 (07.05.2020)

BIR No. 16-005287-002-2015 (12.29.18)

SEC No. 0906-AR-2 (7.27.2019)

IC No. SP-2017/025-R (12.07.20)

PTR No. 2668893 A

January 3, 2018

Cagayan de Oro City

April 9, 2018

Cagayan de Oro City, Philippines

STATEMENTS OF FINANCIAL POSITION

Simbag sa Emerhensya Asin Dagdag Paseguro Mutual Benefit Association (SEDP MBA), Inc.

December 31

2017

2016

ASSETS

Current Assets

| | | |
|--------------------------------------|-------------|-------------|
| Cash and cash equivalents (Note 4) | ₱53,987,520 | ₱72,985,259 |
| Trade and other receivables (Note 5) | 807,548 | 870,047 |
| Total Current Assets | 54,795,068 | 73,855,306 |

Non-Current Assets

| | | |
|---|-------------|-------------|
| Furniture, fixtures and office equipment (net) (Note 6) | 122,599 | 94,274 |
| Held-to-maturity investments (Note 7) | 149,262,741 | 108,218,628 |
| Total Non-Current Assets | 149,385,340 | 108,312,902 |

₱204,180,408

₱182,168,208

LIABILITIES AND FUND BALANCES

Current Liabilities

| | | |
|---|------------|-------------|
| Trade and other payables (Note 8) | ₱6,543,192 | ₱10,860,361 |
| Insurance contract liabilities (Note 9) | 667,621 | 664,500 |
| Total Current Liabilities | 7,210,813 | 11,524,861 |

Non-Current Liabilities

| | | |
|--|-------------|-------------|
| Aggregate reserves for unexpired risks (Note 10) | 110,894,040 | 95,860,195 |
| Total Liabilities | 118,104,853 | 107,385,056 |

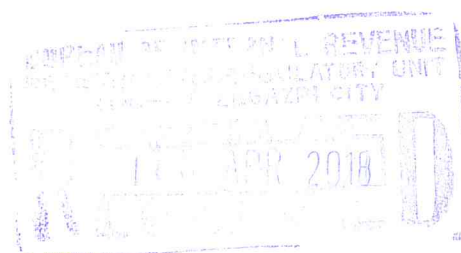
Fund Balances

| | | |
|-------------------------|------------|------------|
| Guaranty Fund (Note 11) | 20,982,320 | 17,817,469 |
| Special Funds (Note 12) | 41,472,265 | 14,022,103 |
| General Fund | 23,620,970 | 42,943,580 |
| Total Fund Balances | 86,075,555 | 74,783,152 |

₱204,180,408

₱182,168,208

See Note to Financial Statements



STATEMENTS OF REVENUE AND EXPENSES

Simbag sa Emerhensya Asin Dagdag Paseguro Mutual Benefit Association (SEDP MBA), Inc.

| <i>Years Ended December 31</i> | 2017 | 2016 |
|---|--------------------|-------------|
| REVENUE | | |
| Members' gross premium contributions <i>(Note 13)</i> | ₱63,297,026 | ₱50,606,885 |
| Less contributions to Guaranty Fund <i>(Note 11)</i> | 3,164,851 | 2,530,344 |
| Net members' premium contributions | 60,132,175 | 48,076,541 |
| Interest and investments income <i>(Notes 4 and 7)</i> | 4,313,575 | 3,518,539 |
| Membership fees <i>(Note 13)</i> | 1,632,585 | 1,270,615 |
| Other income | 4,341 | 234,685 |
| Total Revenue | 66,082,676 | 53,100,380 |
| BENEFITS AND OPERATING EXPENSES | | |
| Benefits and claims paid to members | 23,464,774 | 20,554,854 |
| Increase in aggregate reserves for unexpired risks <i>(Note 10)</i> | 15,033,845 | 14,500,204 |
| Collection costs <i>(Note 9)</i> | 5,175,649 | 3,509,212 |
| Net insurance benefits and claims | 43,674,268 | 38,564,270 |
| Compensation and employees' benefits <i>(Note 14)</i> | 2,041,068 | 1,971,865 |
| General and administrative expenses <i>(Note 15)</i> | 1,911,486 | 1,888,201 |
| Depreciation <i>(Note 6)</i> | 57,174 | 55,902 |
| Total Benefits and Operating Expenses | 47,683,996 | 42,480,238 |
| NET SUPLUS FOR THE YEAR | ₱18,398,680 | ₱10,620,142 |

See Notes to Financial Statements.

RECEIVED
15 APR 2018

STATEMENTS OF CHANGES IN FUND BALANCES

Simbag sa Emerhensya Asin Dagdag Paseguro Mutual Benefit Association (SEDP MBA), Inc.

December 31

2017

2016

GUARANTY FUND (Note 11)

| | | |
|--|-------------|-------------|
| Opening balances, as originally stated | ₱17,817,469 | ₱16,000,000 |
| Adjustment to restate 2015 contributions | — | (712,875) |
| Opening balances, as restated | 17,817,469 | 15,287,125 |
| 5% contributions during the year | 3,164,851 | 2,530,344 |
| Closing balances | 20,982,320 | 17,817,469 |

APPROPRIATED SPECIAL FUNDS (Note 12)

| | | |
|---|------------|------------|
| Members' Benefits Fund | 22,109,011 | 2,971,705 |
| Capacity Building Fund | 5,947,698 | 2,375,569 |
| Member's Education Fund | 5,532,732 | 1,792,086 |
| Research & Development Fund | 4,597,962 | 3,526,323 |
| Acquisition of Systems & Equipment Fund | 3,284,862 | 2,570,436 |
| Social & Community Development Fund | — | 785,984 |
| Closing balances | 41,472,265 | 14,022,103 |

GENERAL FUND

| | | |
|---|--------------|-------------|
| Opening balances, as originally stated | 42,943,580 | 34,857,272 |
| Adjustment to return funds from Guaranty Fund (Note 11) | — | 712,875 |
| Opening balances, as restated | 42,943,580 | 35,570,147 |
| Appropriations to Special Funds for 2016 (Note 12) | (23,110,422) | (3,246,709) |
| Appropriations to Special Funds for 2017 (Note 12) | (14,610,868) | — |
| Net surplus for the year | 18,398,680 | 10,620,142 |
| Closing balances | 23,620,970 | 42,943,580 |

₱86,075,555

₱74,783,152

See Notes to Financial Statements



STATEMENTS OF CASH FLOWS

Simbag sa Emerhensya Asin Dagdag Paseguro Mutual Benefit Association (SEDP MBA), Inc.

Years Ended December 31

2017

2016

CASH FLOWS FROM OPERATING ACTIVITIES

| | | |
|--|-------------|-------------|
| Net surplus for the year | ₱18,398,680 | ₱10,620,142 |
| Add back adjustments for: | | |
| Increase in aggregate reserves for unexpired risks (Note 10) | 15,033,845 | 14,500,204 |
| Depreciation (Note 6) | 57,174 | 55,902 |
| Interest and investments income (Notes 4 and 6) | (4,313,575) | (3,518,539) |
| Operating income before changes in working capital | 29,176,124 | 21,657,709 |
| Add (deduct) changes in working capital excluding cash and cash equivalents: | | |
| Decrease in trade and other receivables (Note 5) | 62,499 | 10,126,143 |
| Increase in insurance contract liabilities (Note 9) | 3,121 | 72,050 |
| Increase (decrease) in trade and other payables (Note 8) | (4,317,169) | 2,058,041 |
| Net Cash Provided from Operating Activities | 24,924,575 | 33,913,943 |

CASH FLOWS FROM FINANCING ACTIVITIES

| | | |
|--|--------------|-------------|
| Increase in guaranty fund (Note 11) | 3,164,851 | 2,530,344 |
| Increase in members' benefits | (10,271,128) | (2,047,443) |
| Net Cash (Used for) Provided from Financing Activities | (7,106,277) | 482,901 |

CASH FLOWS FROM INVESTING ACTIVITIES

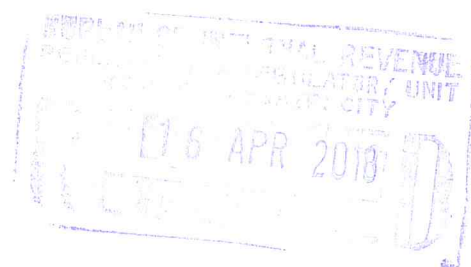
| | | |
|--|--------------|--------------|
| Increase in held to maturity investments (Note 7) | (41,044,113) | (27,066,964) |
| Interest and investment income (Notes 4 and 7) | 4,313,575 | 3,518,539 |
| Additions to furniture, fixtures and office equipment (Note 6) | (85,499) | (64,430) |
| Net Cash Used for Investing Activities | (36,816,037) | (23,612,855) |

| | | |
|--|--------------|------------|
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (18,997,739) | 10,783,989 |
|--|--------------|------------|

| | | |
|-----------------------------------|------------|------------|
| OPENING CASH AND CASH EQUIVALENTS | 72,985,259 | 62,201,270 |
|-----------------------------------|------------|------------|

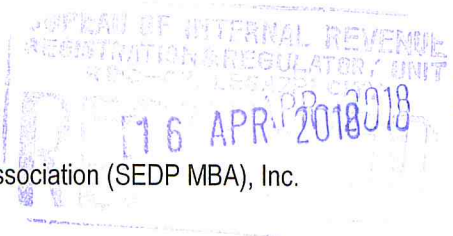
| | | |
|--|-------------|-------------|
| CLOSING CASH AND CASH EQUIVALENTS (Note 4) | ₱53,987,520 | ₱72,985,259 |
|--|-------------|-------------|

See Notes to Financial Statements.



NOTES TO FINANCIAL STATEMENTS

Simbag sa Emerhensya Asin Dagdag Paseguro Mutual Benefit Association (SEDP MBA), Inc.
As of and the Years Ended December 31, 2017 and 2016



Note 1

Organization and Tax Exemption

The Simbag sa Emerhensya Asin Dagdag Paseguro Mutual Benefit Association (SEDP MBA), Inc. (referred to in the following sections as 'Association') was organized by the members of Simbag sa Emerhensya Asin Dagdag Paseguro, Inc., "to extend financial assistance to its members, spouse, siblings, children and parents in the form of death benefits, sickness benefits, provident savings and loan redemption assistance; to ensure continued access to benefits/resources by actively involving the members in the management of the Association that will include the implementation of policies and procedures geared towards sustainability and improved services. It was registered with the Securities and Exchange Commission (SEC) on February 17, 2009 and obtained its secondary license from the Insurance Commission (IC) on August 27, 2009.

The Association is governed by a Board of Trustees which receives no compensation. It devotes all its incomes for the purposes enumerated in its Articles of Incorporation. As at December 31, 2017, the Association has a total membership of 51,853.

It is holding office at the 3rd Floor of The Chancery Building, Cathedral Compound, Albay District, Legazpi City, Albay, free of charge, but its shares for the cost of utilities.

In accordance with Section 30 (C) of the National Internal Revenue Code, as amended, the Association is exempted from the payment of taxes from income derived by it.

Note 2

Summary of Significant Accounting Policies

The significant accounting policies that have been used in the preparation of these financial statements are summarized below.

Statement of Compliance

The financial statements of the Association have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs) and Philippine Interpretations-IFRIC. PFRSs include statements named PFRSs and Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by SEC.

To comply with IC Circular Letter No. 201-41, *Standard Chart of Accounts (SCA) for MBAs*, certain nomenclatures under PFRSs have been changed to the nomenclatures and presentation required under the said Circular, but the changes have no substantial impact on the compliance by the Association of PFRSs requirements.

Basis of Preparation

The accompanying financial statements have been prepared using the historical cost basis. The financial statements are presented in Philippine peso, which is the Association's functional and presentation currency and all values are recorded to the nearest peso except when otherwise indicated. The accounting policies used in preparing these financial statements have been consistently applied since the previous period.

The preparation of the financial statements made use of estimates, assumptions and judgments by management based on management's best knowledge of current and historical facts as at statement of financial condition date. These estimates and judgments affect the reported amounts of assets and liabilities and contingent liabilities as at statement of financial condition date, as well as affecting the reported income and expenses for the year. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

New and Amended Standards and Interpretations

The Association has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB), which are adopted by the Philippines Financial Reporting Standards Council (PFRSC) and approved by the Securities and Exchange Commission (SEC) as Philippine Financial Reporting Standards (PFRSs) that are mandatorily effective for accounting period that begins on or after January 1, 2017.

Amendments to IAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The Association has no external borrowings hence the amendments are not applied in these financial statements.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilize a deductible temporary difference. The application of these amendments has had no impact on the Association's financial statements as the Association's transactions are tax-exempt.

New and Revised IFRSs in Issue but not yet Effective

The Association has not yet applied the following new and revised IFRSs that have been issued but not yet effective:

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers (and the related Clarifications)'
- IFRS 16 'Leases'
- Amendments to IFRS 2 'Classification and Measurement of Share-based Payment Transactions'
- Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate of Joint Venture'
- Amendments to IAS 40 Transfer of Investment Property
- Amendments to IFRSs
- IFRIC 22

IFRS 9 'Financial Instruments'

IFRS 9 issued on November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category by certain simple debt instruments. IFRS 9 will become effective for annual periods beginning on or after January 1, 2018.

The Association management is presently conducting analysis on the impact of IFRS 9 to the Association's financial statements.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18

'Revenue', IAS 11 'Construction Contracts' and the related interpretations when it becomes effective for annual periods beginning on or after January 1, 2018.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligation in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The management of the Association is still in the process of assessing the full impact of the application of IFRS 15 on the Association's financial statements and it is not practicable to provide a reasonable financial estimate of the effect until the completion of the detailed review.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The management of the Association is still in the process of assessing the full impact of the application of IFRS 16 on the Association's financial statements and it is not practicable to provide a reasonable financial estimate of the effect until the completion of the detailed review.

Amendments to IFRS 2 'Classification and Measurement of Share-based Payment Transactions'

The amendments clarify the following:

- 1) In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.
- 2) Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

- 3) A modification of a share-based payment that changes the transactions from cash-settled to equity-settled should be accounted for as follows: (i) the original liability is derecognized; (ii) the equity-settled share-based payment is recognized at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and (iii) any difference between the carrying amount of the liability at the modification date and the amount recognized in equity should be recognized in profit or loss immediately.

The amendments are effective for annual reporting periods beginning on or after January 1, 2018, with earlier application permitted. Specific transition provisions apply.

The management of the Association does not anticipate that the application for the amendments in the future will have a significant impact on the Association's financial statements as the Association does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments.

Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture'

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

The management of the Association does not anticipate any impact on the Association's financial statements of the amendments since there are no such transactions presently.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in PAS/IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted. Entities can apply the amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Specific transition provisions apply.

The management of the Association does not anticipate any impact on the Association's financial statements of the amendments since it has no investment property presently.

Annual Improvements to IFRSs 2014-2016 Cycle

The Annual Improvements include amendments to PFRS 1 and PAS/IAS 28 which are not yet mandatorily effective for the Association. The package also includes amendments to PFRS 12 which is mandatorily effective for the current year but is not applicable to the Association as it has no associates or joint ventures.

The amendments to IAS 28 clarify that the option for a venture capital organization and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture. In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture. The amendments apply retrospectively with earlier application permitted.

Both the amendments to PFRS 1 and PAS/IAS 28 are effective for annual periods beginning on or after January 1, 2018.

The management of the Association does not anticipate that the application of the amendments in the future will have any impact on the Association's financial statements as the Association is not a venture capital organization. Furthermore, the Association does not have any associate or joint venture that is an investment entity.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary liability (e.g. a non-refundable deposit or deferred revenue.)

The interpretation specifies that the date of transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The Interpretation is effective for annual periods beginning on or after January 1, 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transaction provisions apply to prospective application.

The management of the Association does not anticipate that the application of the amendments in the future will have an impact on the Association's financial statements. This is because the Association has no foreign currency transactions.

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: (a) in the principal market for the asset or liability; or (b) 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 by 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 nonfinancial 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. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Association determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Cash and Cash Equivalents

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

Financial Instruments

Recognition, Initial Measurement and Derecognition

Financial assets and financial liabilities are recognized when the Association becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and Subsequent Measurement of Financial Assets

For the purpose of subsequent measurement financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- (a) Loans and receivables,
- (b) Financial assets at fair value through profit or loss (FVTPL);
- (c) Held-to-maturity (HTM) investments, and
- (d) Available-for-sale (AFS) financial assets.

All financial assets except for those at FVTPL are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

The Association has no financial assets at FVTPL, HTM investments and AFS securities. The available financial assets of the Association are HTM investments and loans and receivables.

- Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise with the Association provides money, goods and services directly to the debtor with no intention of trading the receivables. Included in this category are financial assets arising from direct loans to customers, sales contract receivables and all receivables from customers and other banks (due from other banks). They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Loans and receivables are measured upon initial recognition at fair value plus transactions costs that are directly attributable to the acquisition of the loans and receivables. After initial recognition, the loans and receivables are measured at amortized cost using the effective interest method.

- HTM Investments

This category includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity that the Association has the positive intention and ability to hold on to maturity. Investments intended to be held for an undefined period are not included in this category. The recorded HTM investments at the end of the year consist substantially of government debt securities.

Subsequent to initial recognition, HTM investments are measured at amortized costs using effective interest method, less impairment losses, if any. Impairment loss, which is the difference between the carrying value and the present value of estimated cash flows of the investment, is recognized when there is objective evidence that the investment has been impaired. Any changes to the carrying amount of the investment due to impairment are recognized in profit or loss.

Classification and Subsequent Measurement of Financial Liabilities

Financial liabilities presently include trade and other payables, which are measured subsequently at amortized cost using the effective interest method.

Financial liabilities are recognized when the Association becomes a party to the contractual agreement of the instrument. All interest and related charges are recognized as an expense in the statement of profit or loss under the caption Interest Expense. Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration.

Impairment of Financial Assets

The Association assesses at each time it prepares its financial statements whether there is any objective evidence that its financial assets are impaired. For assets carried at amortized cost, the Association assesses at the end of each reporting period 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 impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that 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 group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors 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 a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, 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 not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of profit or loss. 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. As a practical expedient, the Association may measure impairment on the basis of an instrument's fair value using an observable market price. 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 reversal of the previously recognized impairment loss is recognized in the statement of profit or loss.

If there is an objective evidence that an impairment loss on HTM securities has been incurred, the amount of loss is measured as the difference between the security's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the security's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of impairment loss for the period shall be recognized in profit or loss under the account "Provision for Credit Losses".

Offsetting Financial Instruments

Financial assets and financial liabilities are offset, and the resulting net amount is reported in the statement 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.

Furniture, Fixtures and Office Equipment

Furniture, fixtures and office equipment are stated at cost less accumulated depreciation. Such cost includes the cost of replacing part of such furniture, fixtures and office equipment when that cost is incurred, if the

recognition criteria are met. Interests incurred on borrowed funds used to finance the construction of properties during the construction period are capitalized. Other borrowing costs are expensed. An item of furniture, fixtures and office equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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 asset) is included in the statement of income in the year the asset is derecognized.

Depreciation is computed on the straight-line method over the estimated useful lives of the assets, which is five (5) years.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to income. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits arising from the renovations will flow to the organization.

The carrying values of Association's furniture, fixtures and office equipment are reviewed for impairment when changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of Association's furniture, fixtures and office equipment is the greater of net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's-length transaction.

Impairment of Non-Financial Assets

The Association's furniture, fixtures and office equipment and other assets are subject to impairment testing. Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts 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. An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting the market conditions less cost to sell, and value in use, based on an internal evaluation of discounted cash flow. 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 previously recognized impairment loss.

Actuarial Policies

Actuarial liabilities (reserves for life policy and members' equity) are computed by the Consulting Actuary of the Association using actuarial practices generally accepted in the Philippines. Actuarial liabilities and other policy liabilities represent the estimated amounts which, together with estimated future premiums and net investment income, will provide for outstanding claims, estimated future benefits, and expenses on in-force policies. In calculating actuarial liabilities, assumptions must be made about the timing and amount of many events, including death, investment, inflation, policy termination, expenses, taxes, premiums/ commissions.

The Association uses best estimate assumptions for expected future experience. Uncertainty is inherent in the process, as no one can accurately predict the future. Some assumptions relate to events that are anticipated to occur many years in the future and are likely to require subsequent revision. Additional provisions are included in the actuarial liabilities to provide for possible adverse deviations from the best estimates. If the assumption is more susceptible to change or if the actuary is less certain about the underlying best estimate assumption, a correspondingly larger provision is included in the actuarial liabilities.

In determining these provisions, the Association ensures: (a) when taken one at a time, the provision is reasonable with respect to the underlying best estimate assumption, and the extent of uncertainty present in making that assumption, and (b) in total, the cumulative effect of all provisions is reasonable with respect to the total actuarial liabilities. With the passage of time and resulting reduction in estimation risk, the provisions are released into income. The best estimate assumptions and margins for adverse deviations are reviewed annually and revisions are made where deemed necessary and prudent.

Recording of Claims from Policyholders

Claims incurred comprise settlement and handling costs of paid and outstanding claims arising during the year and adjustments to prior year claim provisions. Outstanding claims comprise claims incurred up to, but not paid, at the end of the year, whether reported or not. Reinsurance recoveries, if any, are accounted for in the same period as the related claim.

Income and Cost Recognition

The Association recognizes income and expenses as follows:

- (a) Premium contributions are recorded as income in the period in which the risk commences. The proportion of the premiums written relating to periods of risk after the reporting date is carried forward to subsequent accounting periods as unearned premiums, so that earned premiums relate to risks carried during the accounting period.
- (b) Members' gross contributions are allocated as follows:
 - 50% goes to the reserve for members' equity, intended for members' entitlements of equity value upon payment of the first contribution to the Association, representing 50% of the total membership dues collected;
 - 35% goes to cover basic benefits of members;
 - 5% goes to Guarantee Fund, and
 - the remaining 10% goes to general operations, to cover administrative costs.
- (c) Interests earned from bank deposits are carried in the books net of taxes.
- (d) Grants and donations received are valued at fair market value at the time the grants are received.
- (e) Cost and expenses are recognized in the income statement upon utilization of the service or at the date they are incurred.

Compensation and Benefits Expense

Employee benefits are all forms of consideration given by the Association in exchange for services rendered by employees or for the termination of their employments in the Association. The Association recognizes: (a) a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and (b) an expense when the Association consumes the economic benefit arising from the service provided by an employee in exchange for employee benefits. The following represent the accounting followed by the Association for all types of employee benefits, except share-based payment, to which there is none.

- Short-Term Employee Benefits

Short-term employee benefits are those expected to be settled wholly before twelve months after the end of the annual reporting period during which employee services are rendered, but do not include termination benefits. These benefits include wages, salaries, profit-sharing and bonuses (if there are any) and non-monetary benefits paid to current employees. These are recognized when the employee has rendered the service and are measured at the undiscounted amount of benefits expected to be paid in exchange for that service.

The benefits also include compensated absences which are recognized for the number of paid leave days (including holiday entitlement) remaining at the reporting date. The expected cost of short-term compensated absences is recognized as the employees render service that increases their entitlement or, in the case of non-accumulating absences, when the absences occur, and includes any additional amounts the Association expects to pay as a result of unused entitlements at the end of the period. The amounts recognized are included in 'Trade and other liabilities' account in the statement of financial position at the undiscounted amount that the Association expects to pay as a result of the unused entitlement.

- Post-Employment Benefit Plans

Post-employment benefit plans that are provided to employees only cover their retirement benefits, which are paid in lump sum payments at the time of their retirements. The retirement benefits are provided to employees through a defined benefit plan. A defined benefit plan is a retirement plan that defines an amount of retirement benefit an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for the benefits of the retirement plan remains with the Association, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Association's defined benefit retirement plan covers all regular full-time employees.

- Termination Benefits

Termination benefits are payable when employment is terminated by the Association before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Association recognizes termination benefits when it is demonstrably committed to either: (a) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (b) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the statement of financial position date are discounted to present value.

Leases

The Association determines whether an arrangement is, or contains a lease based on the substance of the arrangements. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys the right to use the asset.

The Association accounts for its rental of office space as operating lease. The Association's lease to the building does not transfer to the Association all the risks and benefits of ownership of the assets. Operating lease payments are recognized as expense in the income statement on a straight-line basis over the lease term. The Association however enjoys free use of the facilities of the Roman Catholic Bishop of Legaspi, Inc. but shares on the utilities of the facilities.

For capitalized leasehold improvements, the Association depreciates the assets over the shorter of the estimated useful lives of the asset or the lease term.

Provisions and Contingent Liabilities

Provisions, if any, are recognized when the Association has legal or constructive obligations as a result of a past event: it is probable that an outflow of resources will be required to settle the obligation and estimate can be made of the amount obligation. Provisions are recognized when present obligation 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 constructive commitment that has resulted from past events. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the statement of financial condition date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the amount of related provision.

Provisions are reviewed at each statement of financial condition date and adjusted to reflect the current best estimate. In those cases where the possible outflow of the 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 consolidated financial statements. Probable inflows of economic benefits that do not yet meet the recognition criteria of the asset are considered contingent assets, hence, are not recognized in the financial statements. No contingent liabilities have been incurred during the year.

Events After the End of the Reporting Period

Any post year-end events that provide additional information about the Association's financial position at the end of the reporting period (adjusting events), are reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed in the notes to financial statements when material.

Note 3

Significant Accounting Estimates and Judgments

The preparation of the financial statements in accordance with PFRS requires the Association to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following critical accounting estimates and judgments may be applicable, among many other possible areas not presented in the Association's financial statements:

Allowance for Impairment of Insurance Receivable

Allowance is made for specific accounts, where objective evidence of impairment exists. The Association evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Association's relationship with the customers, the customers' current credit status based on known market forces, average age of accounts, collection experience, and historical loss experience. The recorded losses for any period would therefore differ based on the judgments and estimates made.

Estimating Useful Lives of Property and Equipment

The Association reviews annually the estimated useful lives of its property and equipment based on expected asset utilization. It is possible that future results of operations could be materially affected by changes in these estimates. A reduction in the estimated useful lives of these properties would increase recorded depreciation and amortization expense and decrease the related asset accounts.

Impairment of Non-Financial Assets

The Association assesses the impairment of its non-financial assets whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and the value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. For impairment loss on specific asset, the recoverable amount represents the net selling price. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Association is required to make estimates and assumptions that can materially affect the Association's financial statements.

Retirement Benefits

The determination of the Association's obligation and cost for pension and other employee benefits is dependent on the selection of certain assumptions used by management in calculating such amounts. While the Association believes that the assumptions used are reasonable and appropriate, significant differences in the actual experience or significant changes in assumptions may materially affect employee benefit obligations.

Provisions and Contingencies

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 2.

Note 4

Cash and Cash Equivalents

This account is composed of the following:

| <i>December 31</i> | 2017 | 2016 |
|------------------------|--------------------|-------------|
| Short-term investments | P40,358,812 | P54,139,545 |
| Cash in banks | 13,598,708 | 18,815,714 |
| Revolving Fund | 30,000 | 30,000 |
| | P53,987,520 | P72,985,259 |

The cash in banks include the Guaranty Fund required by the Insurance Commission to be maintained by the Association. The cash in banks earn interest at the prevailing market rates. The effective interest rate on short-term investments ranges from 0.10% to 4.125%, maturing in 90 days to 365 days.

Interest earned on cash and cash equivalents amounted P1,123,566 in 2017 and P1,040,611 in 2016.

Note 5

Trade and Other Receivables

This account consists of the following:

| <i>December 31</i> | 2017 | 2016 |
|------------------------------------|-----------------|-------------|
| Accrued interest receivable | P667,555 | P701,138 |
| Unused office supplies | 139,993 | 64,873 |
| Accounts receivable – others | – | 50,667 |
| Receivables from agents | – | 44,389 |
| Advances to officers and employees | – | 8,980 |
| | P807,548 | P870,047 |

Note 6

Furniture, Fixtures and Office Equipment

This consists of the following items which are recorded in the books at costs.

| <i>December 31</i> | 2017 | 2016 |
|--|-----------------|-------------|
| IT equipment | P552,259 | P466,760 |
| Furniture, fixtures and office equipment | 169,117 | 169,117 |
| | 721,376 | 635,877 |
| Less accumulated depreciation | 598,777 | 541,603 |
| | P122,599 | P94,274 |

The Association enjoys free use of the building facilities of the Roman Catholic Bishop of Legaspi, Inc. It shares on the costs of monthly utilities of the building.

The accounting of the movements of the accounts during the year follows:

| <i>December 31, 2017</i> | <i>Opening Balance</i> | <i>Additions</i> | <i>Retirement</i> | <i>Closing Balance</i> |
|---------------------------------------|------------------------|------------------|-------------------|------------------------|
| Cost | | | | |
| IT equipment | ₱466,760 | ₱85,499 | ₱— | ₱552,259 |
| Furniture, fixtures and office eqpmnt | 169,117 | | | 169,117 |
| | 635,877 | 85,499 | | 721,376 |
| Accumulated Depreciation | | | | |
| IT equipment | ₱372,486 | 57,174 | | 429,660 |
| Furniture, fixtures and office eqpmnt | 169,117 | — | | 169,117 |
| | 541,603 | 57,174 | | 598,777 |
| Net Book Value | ₱94,274 | ₱28,325 | ₱— | ₱122,599 |
| <i>December 31, 2016</i> | | | | |
| Cost | | | | |
| IT equipment | ₱402,330 | ₱64,430 | ₱— | ₱466,760 |
| Furniture, fixtures and office eqpmnt | 169,117 | | | 169,117 |
| | 571,447 | 64,430 | | 635,877 |
| Accumulated Depreciation | | | | |
| IT equipment | 324,226 | ₱48,260 | | ₱372,486 |
| Furniture, fixtures and office eqpmnt | 161,475 | 7,642 | | 169,117 |
| | 485,701 | 55,902 | | 541,603 |
| Net Book Value | ₱85,746 | ₱8,528 | ₱— | ₱94,274 |

Note 7
Held-to-Maturity Investments

This account consists of the following investments managed by the following banks:

| <i>December 31</i> | <i>2017</i> | <i>2016</i> |
|---|--------------|--------------|
| Philippine National Bank (PNB) | ₱33,000,000 | ₱33,000,000 |
| Metropolitan Bank & Trust Company (MBTC) | 39,851,254 | 24,830,305 |
| Banco de Oro (BDO) | 31,763,952 | 25,724,973 |
| Bank of the Philippine Islands (BPI) | 29,747,698 | 9,781,559 |
| Security Bank & Trust Company | 9,899,837 | 9,881,791 |
| Rizal Commercial & Banking Corporation (RCBC) | 5,000,000 | 5,000,000 |
| | ₱149,262,741 | ₱108,218,628 |

The natures of the investments are as follows:

- The investments in Philippine National Bank (PNB) represent debt securities with coupon rates at 3.25% to 3.625% and will mature on August 15, 2023. It also includes Unsecured Subordinated Notes with a face value of ₱5 million, at 5.875% interest per annum.
- The money placements with Metropolitan Bank and Trust Company (MBTC) represent debt securities with coupon rates at 3.25% to 3.50% with maturities on March 20, 2021 and March 21, 2023.
- The investment in Rizal Commercial & Banking Corporation (RCBC) represents fixed rate bond at 5.9721% which will mature on December 15, 2026.

- d) The money placements with Banco de Oro represent debt securities that will mature on September 20, 2026.
- e) The money placement with Security Bank & Trust Company represents debt securities with a coupon rate at 3.25% which will mature on August 15, 2023.
- f) The money placement with Bank of the Philippine Islands represents debt securities with a coupon rate at 3.6351% which will mature on August 15, 2023.

The Association earned interest income from HTM investments of ₱3,229,889 in 2017 ₱2,477,928 in 2016.

Note 8

Trade and Other Payables

This account consists of the following:

| <i>December 31</i> | 2017 | 2016 |
|---|-------------------|--------------------|
| Accrued expenses | ₱4,139,977 | ₱3,400,459 |
| Accounts payable to SEDP Foundation, Inc. | 1,415,000 | — |
| Retirement benefit obligations | 627,084 | 451,320 |
| Accounts payable – others | 354,966 | 780,940 |
| Accounts payable for surrendered membership | 6,165 | — |
| Unearned premiums | — | 6,184,285 |
| Unremitted contributions to Government agencies | — | 43,357 |
| | ₱6,543,192 | ₱10,860,361 |

Accounts Payable to SEDP Foundation, Inc.

This represents the benefits to 283 members who had reached the age 66 years old representing ₱5,000 per member accrued at the end of 2017. The members benefits, totaling ₱1,415,000, will be turned over to the SEDP Foundation, Inc. who will be responsible for distributing the benefits to the corresponding members.

Retirement Benefit Obligations

The Association's regular/permanent employees are provided with retirement benefits beginning 2010, based on the 67% of the gross salaries of the entitled employees plus one-twelfth (1/12) of the 13th month pay. The policy defines the amount of retirement benefit an employee will receive at the time of retirement or separation from service. The legal obligation on the payment of the retirement benefits to the employees remains with the Association. The retirement plan is noncontributory and is presently unfunded. Total pension expenses charged to operations amounted to ₱175,764 in 2016 and ₱161,033 in 2016.

Unearned premiums

The contributions from members collected in advance are recorded as liability of the Association.

Note 9

Insurance Contract Liabilities

This consists of the following:

| <i>December 31</i> | 2017 | 2016 |
|----------------------------------|-----------------|-----------------|
| Claims incurred but not reported | ₱642,621 | ₱656,500 |
| Claims due and unpaid | 25,000 | 8,000 |
| | ₱667,621 | ₱664,500 |

Incurred but not reported claims are claims reported beyond the reporting date whose date of claim happened three months before the reporting date. For 2017, claims reported in the months of November 2017, December 2017 and January 2018 whose date of death/claim is before November 1, 2017, are included in this category.

Claims due and unpaid benefits represent claim benefits that have been processed and that the Association recognizes liability on the claims by the member or its beneficiaries.

The amounts recorded as insurance contract liabilities were certified by the Association's Actuary to be in accordance with sound actuarial principles.

Note 10

Aggregate Reserves for Unexpired Risks

This consists of the following reserves:

| <i>December 31</i> | 2017 | 2016 |
|------------------------------|---------------------|-------------|
| Reserves for members' equity | ₱108,507,309 | ₱93,784,859 |
| Reserves for credit policies | 2,127,716 | 1,907,787 |
| Reserves for life policies | 259,015 | 167,549 |
| | ₱110,894,040 | ₱95,860,195 |

The aggregate policy reserves represent the amount which is considered adequate to cover future guaranteed benefits as they become payable under the provisions of the policies in force. The reserve is the aggregate value of future guaranteed benefits less the present value of future net premiums.

The movements of the reserves during the year are as follows:

| <i>December 31, 2017</i> | <i>Reserves for Members' Equity</i> | <i>Reserves for Credit Policies</i> | <i>Reserves for Life Policies</i> | Total |
|--------------------------|---|---|---------------------------------------|---------------------|
| Provisions during 2014 | ₱65,986,915 | ₱2,351,536 | ₱1,206,266 | ₱69,544,717 |
| Provisions during 2015 | 13,243,621 | (615,593) | (812,754) | 11,815,274 |
| Provisions during 2016 | 14,554,323 | 171,844 | (225,963) | 14,500,204 |
| Provisions during 2017 | 14,722,450 | 219,929 | 91,466 | 15,033,845 |
| | ₱108,507,309 | ₱2,127,716 | ₱259,015 | ₱110,894,040 |

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 member. 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; hence, the Association sets up the 50% of its gross premium collections as its reserves for members' equity.

The reserve for life policies represents the amount which is considered adequate to cover future guaranteed benefits as they become payable under the provisions of the policies in force. The reserve is the aggregate value of future guaranteed benefits less the present value of future net premiums.

The amount of aggregate reserves for members' equity and reserves for life policies for the period ended December 31, 2017 have been computed and certified by the Consulting Actuary of the Association to be in accordance with commonly accepted actuarial standards consistently applied and that the legal policy reserves and other actuarial items are fairly stated in accordance with sound actuarial principles.

Note 11
Guaranty Fund

This represents the amount required by the Insurance Commission (IC) to be established as a guaranty of the benefits and security of policyholders and creditors of the Association, in accordance with the provisions of the Insurance Code of the Philippines, deposited in a local depository bank. (See Note 4.). The Association complied with the IC requirements using its own saved funds. The Fund is increased by the 5% contributions from members.

The following is the accounting of the Guaranty Fund:

| <i>December 31</i> | 2017 | 2016 |
|---|--------------------|-------------|
| Opening balances, as originally stated | ₱17,817,469 | ₱16,000,000 |
| Adjustment to restate 2015 contributions | – | (712,875) |
| Opening balances, as restated | 17,817,469 | 15,287,125 |
| Members' contributions representing 5% of total premiums received | 3,164,851 | 2,530,344 |
| Closing balances | ₱20,982,320 | ₱17,817,469 |

The Guaranty Fund is funded by the following:

| <i>December 31</i> | 2017 | 2016 |
|---|--------------------|-------------|
| Short-term investments (Note 4) | ₱16,000,000 | ₱16,000,000 |
| Portion of cash in banks and time deposits (Note 4) | 4,982,320 | 1,817,469 |
| | ₱20,982,320 | ₱17,817,469 |

Restatement of Guaranty Fund Opening Balances

The balances of the Guaranty Fund reported in 2015 have been restated from the amount previously reported to tie-up the balance to the amount computed by the Insurance Commission as the correct balances of the Guaranty Fund in 2015. Accordingly, the amount of excess in those years has been returned to General Fund where it was originally taken when the Guaranty Fund was initially set-up.

The Guaranty Fund is maintained in a time deposit account with a local government bank.

Note 12
Special Funds

In accordance with the recommendations of the Insurance Commission, the Association's Board of Trustees approved appropriations of the following special funds from the General Fund:

| <i>December 31</i> | 2017 | 2016 |
|--------------------------------------|--------------------|-------------|
| Members' Benefits Fund | ₱22,109,011 | ₱2,971,705 |
| Capacity Building Fund | 5,947,698 | 2,375,569 |
| Members' Education Fund | 5,532,732 | 1,792,086 |
| Research and Development Fund | 4,597,962 | 3,526,323 |
| Acquisition of Systems and Equipment | 3,284,862 | 2,570,436 |
| Social & Community Development Fund | – | 785,984 |
| | ₱41,472,265 | ₱14,022,103 |

The movements of the appropriated funds during 2017 and 2016, as follows:

| <i>December 31, 2017</i> | <i>Beg. Balance</i> | <i>Allocations for 2016 Net Income</i> | <i>Allocations for 2017 Net Income</i> | <i>Disbursements</i> | <i>End Balance</i> |
|-------------------------------------|---------------------|--|--|----------------------|--------------------|
| Members' Benefits Fund | ₱2,971,705 | ₱16,780,827 | ₱10,827,608 | ₱8,471,128 | ₱22,109,012 |
| Capacity Building Fund | 2,375,569 | 2,311,042 | 1,261,087 | – | 5,947,698 |
| Members' Education Fund | 1,792,086 | 3,649,015 | 1,891,630 | 1,800,000 | 5,532,731 |
| Research and Dev. | 3,526,323 | 693,313 | 378,326 | – | 4,597,962 |
| Acquisition of Systems & Equip Fund | 2,570,436 | 462,209 | 252,217 | – | 3,284,862 |
| Social & Community Dev't. Fund | 785,984 | (785,984) | – | – | – |
| | ₱14,022,103 | ₱23,110,422 | ₱14,610,868 | ₱10,271,128 | ₱41,472,265 |

| <i>December 31, 2016</i> | <i>Beg. Balance</i> | <i>Allocations in 2016</i> | <i>Disbursements</i> | <i>End Balance</i> |
|--------------------------------------|---------------------|----------------------------|----------------------|--------------------|
| Members' Benefits Fund | ₱275,419 | ₱3,246,709 | ₱550,423 | ₱2,971,705 |
| Capacity Building Fund | 3,375,569 | | 1,000,000 | 2,375,569 |
| Members' Education Fund | 2,139,106 | | 347,020 | 1,792,086 |
| Research and Development Fund | 3,526,323 | | – | 3,526,323 |
| Acquisition of Systems & Equip. Fund | 2,570,436 | | – | 2,570,436 |
| Social & Community Dev. Fund | 935,984 | | 150,000 | 785,984 |
| | ₱12,822,837 | ₱3,246,709 | ₱2,047,443 | ₱14,022,103 |

The appropriated funds are funded by the cash and cash equivalents of the Association.

Note 13

Members' Premium Contribution

The Association's members are charged twenty pesos (₱20.00) per week, during their active membership in the Association. In accordance with its Rules and Regulations approved by the Insurance Commission (IC), the Association allocates the contributions as follows:

- 50% is allocated as reserve for members' equity intended for the members' entitlements of equity value;
- 35% is intended to cover basic benefits such as payments for death or permanent disability claims of a member or its legal spouse below sixty-six (66) years old; or four (4) single, biological and/or legally adopted children who are two weeks old but not more than twenty-one (21) years old single, disabled and incapacitated to work. If single without children, the members' legal dependents include the member's biological parents not more than 65 years. If a member's parents are both deceased upon membership, the member can declare two (2) eldest siblings, at least two (2) weeks old but not more than twenty-one (21) years old.
- 5% is intended as additional guaranty fund, and
- 10% is intended to cover administrative costs and expenses.

The members are also charged with one-time membership fee of ₱150, which is non-refundable and does not form part of the members' accumulated and refundable contributions. The amount is treated as income to finance part of the requirements for general and administrative expenses not covered by the 10% allocation from gross premium contributions. Gross premiums on credit life insurance are income from loans on member's which are included in the monthly payments of the loans. The amount of contribution is based on the principal amount and term of loans.

The Association's withdrawal of equity amounted to ₱8,617,753 in 2017 and ₱6,654,096 in 2016.

Note 14

Details of Compensation and Employees' Benefits

| <i>Years Ended December 31</i> | 2017 | 2016 |
|--------------------------------|-------------------|-------------|
| Short-term employee benefits | ₱1,865,304 | ₱1,810,832 |
| Post-employment benefits | 175,764 | 161,033 |
| | ₱2,041,068 | ₱1,971,865 |

Note 15

Details of General and Administrative Expenses

| <i>Years Ended December 31</i> | 2017 | 2016 |
|--------------------------------|-------------------|-------------|
| Meetings and seminars | ₱732,636 | ₱590,536 |
| General assembly expenses | 289,163 | 287,288 |
| Association dues | 274,545 | 257,980 |
| Repairs and maintenance | 158,184 | 173,593 |
| Supplies and materials | 107,702 | 147,755 |
| Transportation and travel | 60,538 | 144,005 |
| Taxes and licenses (Note 23) | 112,112 | 112,575 |
| Professional fees | 76,624 | 90,000 |
| Communication | 32,395 | 31,368 |
| Insurance | 33,000 | 8,400 |
| Miscellaneous expenses | 34,587 | 44,701 |
| | ₱1,911,486 | ₱1,888,201 |

Note 16

Related Party Transactions

In the ordinary course of trade or business, the Association has transactions with its related parties which include its Board of Trustees, members of various committees and its officers and employees, who are also members of the Association. These transactions are made substantially on the same terms and conditions as with other members of comparable risks. The Association accepts insurance business from the borrowers of SEDP-Simbag sa Pag-Asenso, Inc. and authorizes the institution to collect premium contributions from these members for certain commissions. None of the transactions incorporate special terms and conditions and no guarantee is given or received. Outstanding balances are usually settled in cash.

The key management personnel of the Association include all personnel having a position of General Manager and above. The key management compensation follows:

| <i>Years Ended December 31</i> | 2017 | 2016 |
|--------------------------------|-----------------|-------------|
| Short-term employee benefits | ₱394,723 | ₱347,544 |
| Post-employment benefits | 61,517 | 57,064 |
| | ₱456,240 | ₱404,608 |

Note 17

Fair Value Measurement

Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The following table summarizes the fair value hierarchy of the Association's financial assets and financial liabilities which are not measured at fair value in the 2017 statement of financial position but for which fair value is disclosed.

| <i>December 31, 2017</i> | <i>Level 1</i> | <i>Level 2</i> | <i>Level 3</i> | <i>Total</i> |
|---|----------------|----------------|----------------|--------------|
| Financial assets | | | | |
| Cash and cash equivalents (Note 4) | ₱53,987,520 | | | ₱53,987,520 |
| Trade and other receivables (Note 5) | | | ₱807,548 | 807,548 |
| Held-to-maturity investments (Note 7) | | | 149,262,741 | 149,262,741 |
| | ₱53,987,520 | | ₱150,070,289 | ₱204,057,809 |
| Financial liabilities | | | | |
| Trade and other payables (Note 8) | | | ₱6,543,192 | ₱6,543,192 |
| Insurance contract liabilities (Note 9) | | | 667,621 | 667,621 |
| | | | ₱7,210,813 | ₱7,210,813 |
| <i>December 31, 2016</i> | | | | |
| Financial assets | | | | |
| Cash and cash equivalents (Note 4) | ₱72,985,259 | | | ₱72,985,259 |
| Trade and other receivables (Note 5) | | | ₱870,047 | 870,047 |
| Held-to-maturity investments (Note 7) | | | 108,218,628 | 108,218,628 |
| | ₱72,985,259 | | ₱109,088,675 | ₱182,073,934 |
| Financial liabilities | | | | |
| Trade and other payables (Note 8) | | | ₱10,860,361 | ₱10,860,361 |
| Insurance contract liabilities (Note 9) | | | 664,500 | 664,500 |
| | | | ₱11,524,861 | ₱11,524,861 |

For financial assets and financial liabilities with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments equal their fair values. The fair values of the financial assets and financial liabilities included in Level 3 above which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counter-parties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Association uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

Fair Value Measurement for Non-Financial Assets

The table in the following page shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis as of December 31, 2017 and 2016.

| <i>December 31, 2017</i> | <i>Level 1</i> | <i>Level 2</i> | <i>Level 3</i> | <i>Total</i> |
|---|----------------|----------------|----------------|--------------|
| Furn., fixt./office equip (net) (Note 6) | | | ₱122,599 | ₱122,599 |
| <i>December 31, 2016</i> | | | | |
| Furn., fixt./ office equip (net) (Note 6) | | | ₱94,274 | ₱94,274 |

The Level 3 fair value of the buildings and improvements included under the Property and Equipment account was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labour and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

Note 18

Risk Management Objectives and Policies

The Association is exposed to various risks in relation to its financial instruments. The main types of risks it is facing are market risk, credit risk and liquidity risk. The Association's risk management is coordinated by its Board of Trustees and focuses principally on actively securing the Association's short to medium-term cash flows by minimizing the exposure to volatile financial markets. The Association does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Association is exposed are described as follows:

Market Risk Analysis

The Association is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities. Most of the Association's transactions are carried out in Philippine currency, its functional currency. It has limited or no exposures to currency exchange rates since it has no transactions involving foreign currencies. The Association does not actively engage in the trading of financial assets nor does it write options. Its exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting period date.

Credit Risk Analysis

Credit risk refers to the probability of loss due to a debtor's failure to make payments on any type of debt. The Association is exposed to this risk for various financial instruments, more particularly for its trade and other receivables and its HTM investments. The Association's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the end of the reporting period, as summarized in the following:

| <i>December 31, 2017</i> | <i>Neither Past Due Nor Impaired</i> | <i>Past Due But Not Impaired</i> | <i>Total</i> |
|---------------------------------------|--|--------------------------------------|--------------|
| Cash and cash equivalents (Note 4) | ₱53,987,520 | — | ₱53,987,520 |
| Trade and other receivables (Note 5) | 807,548 | | 807,548 |
| Held-to-maturity investments (Note 7) | 149,262,741 | | 149,262,741 |
| | ₱204,057,809 | — | ₱204,057,809 |
| | 100% | — | 100% |

The Association continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Association's policy is to deal only with members who have undergone adequate training and orientation. The Association's management and its Board of Trustees consider that all of the financial assets that are not impaired or past due for each of reporting dates under review are of good credit quality.

Liquidity Risk Analysis

The Association is likewise exposed to liquidity risk, the risk that it will encounter difficulty in meeting its obligations as they become due without incurring unacceptable losses or costs. The Association's objectives to manage its liquidity profile are: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs, and (c) to be able to access funding when needed at the least possible cost.

The Association manages its liquidity by carefully monitoring its cash flows on its day-to-day business by maintaining its available cash resources in demand deposits or time deposits that can be pre-terminated anytime and, in such volume, as to ensure that it meets its obligations on time.

The maturity profile of the Association's financial liabilities is as follows:
(Please see table next page.)

| <i>December 31, 2017</i> | <i>Due in One Year</i> | <i>Due Over One ear</i> | <i>Total</i> |
|---|------------------------|-------------------------|--------------|
| Trade and other payables (Note 8) | ₱6,543,192 | ₱— | ₱6,543,192 |
| Insurance contract liabilities (Note 9) | 667,621 | | 667,621 |
| | ₱7,210,813 | ₱— | ₱7,210,813 |
| | 100.00% | 0.00% | 100.00% |

Note 19

Capital Management Objectives, Policies and Procedures

The Association maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect its members. The Association's Board of Trustees reviews regularly its capital structure and considers the cost of capital and the risks associated with each class of capital. Management regularly monitors the capital requirements of the Association, taking account of future balance sheet growth, profitability, and any anticipated regulatory changes, in order to ensure that the Association is at all times able to meet the forecast future minimum capital requirements. The Association's overall strategy remains unchanged from the past year.

Note 20

Commitments and Contingencies

In the normal course of its operations, the Association makes various commitments and incurs certain contingent liabilities which are not reflected in the accompanying financial statements. Management anticipates no material losses, if any, that may arise from these commitments and contingencies.

Note 21

Events After Reporting Date

There were no events after reporting date that would require disclosures or adjustments on the financial statements of the Association.

Note 22

Approval of Financial Statements

The Association's financial statements as of December 31, 2017, and for the period then ended, were authorized for issue by the Executive Committee of the Board of Trustees on April 9, 2018.

Note 23

Details of Taxes, Licenses and Fees

In accordance with the supplementary information required under Revenue Regulations No. 15-2010, the Association discloses the following:

| <i>Years Ended December 31</i> | 2017 | 2016 |
|---|-------------|-------------|
| License renewal and filing fees | ₱108,250 | ₱85,850 |
| Local taxes/fees (business permits, etc.) | 3,362 | 26,225 |
| BIR annual registration | 500 | 500 |
| | ₱112,112 | ₱112,575 |

SUPPLEMENTARY SCHEDULE TO THE FINANCIAL STATEMENTS

| | |
|---------|--|
| Annex I | Effective Standards and Interpretations Under PFRS as of December 31, 2017, Adopted as of December 30, 2017 |
|---------|--|

EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PFRS AS OF DECEMBER 31, 2016, ADOPTED AS OF SEPTEMBER 30, 2016

Simbag sa Emerhensya Asin Dagdag Paseguro Mutual Benefit Association (SEDP MBA), Inc.

| <i>Effective as of December 31, 2017</i> | <i>Adopted</i> | <i>Not Adopted</i> | <i>Not Applicable</i> |
|--|----------------|------------------------|---------------------------|
| Framework for the Preparation and Presentation of Financial Statements | √ | | |
| Conceptual Framework Phase A: Objectives and Qualitative Characteristics | √ | | |
| PFRSs Practice Statement Management Commentary | √ | | |
| PHILIPPINE FINANCIAL REPORTING STANDARDS | | | |
| PFRS 1 (Revised) | | | |
| First-time Adoption of Philippine Financial Reporting Standards | | | √ |
| Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Joint Controlled Entity or Associate | | | √ |
| Amendments to PFRS 1: Additional Exemptions for First-time Adopters | | | √ |
| Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters | | | √ |
| Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters | | | √ |
| Amendments to PFRS 1: Government Loans | | | √ |
| Amendments to PFRS 1: Borrowing Costs | | | √ |
| Amendments to PFRS 1: Meaning of effective standards | √ | | |
| Amendments to PFRS 1: Deletion of short-term exceptions for first-time adopters | | | √ |
| PFRS 2 | | | √ |
| Share-based Payment | | | √ |
| Amendments to PFRS 2: Vesting Conditions and Cancellations | | | √ |
| Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions | | | √ |
| Amendments to PFRS 2: Definition of Vesting Condition | | | √ |
| Amendments to PFRS 2: Classification and Measurement Payment Transactions | | | √ |
| PFRS 3 (Revised) | | | |
| Business Combinations | | | √ |
| Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination | | | √ |
| Amendment to PFRS 3: Scope Exceptions for Joint Arrangements | | | √ |
| Amendment to PFRS 3: Annual Improvements to IFRS 2015-2017 | | | √ |
| PFRS 4 | | | |
| Insurance Contracts | | | √ |
| Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | √ |
| Amendments to PFRS 4: Applying PFRS 9 with PFRS 4* | | √ | |
| PFRS 5 | | | |
| Non-current Assets Held for Sale and Discontinued Operations | | | √ |
| Changes in Method of Disposal | | | √ |
| PFRS 6 | | | |
| Exploration for and Evaluation of Mineral Resources | | | √ |
| PFRS 7 | | | |
| Financial Instruments: Disclosures | √ | | |
| Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | √ | | |

| <i>Effective as of December 31, 2017</i> | <i>Adopted</i> | <i>Not Adopted</i> | <i>Not Applicable</i> |
|---|----------------|------------------------|---------------------------|
| Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | √ | | |
| Amendments to PFRS 7: Improving Disclosures about Financial Instruments | √ | | |
| Amendments to PFRS 7: Disclosures - Transfers of Financial Assets | √ | | |
| Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities | √ | | |
| Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures | √ | | |
| Amendments to PFRS 7: Servicing Contracts | | √ | |
| Amendments to PFRS 7: 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 (2014 version) * | | √ | |
| Amendments to PFRS 9: Mandatory Effective Date of PFRS9 and Transition Disclosures* | | √ | |
| Amendments to IFRS 9: Prepayment Features with Negative Compensation | | √ | |
| PFRS 10 Consolidated Financial Statements | | | √ |
| Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities | | | √ |
| Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | | | √ |
| Amendments to PFRS 10: Applying the Consolidation Exception | | | √ |
| PFRS 11 (Amended) Joint Arrangements | | | √ |
| Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations* | | | √ |
| Amendments to PFRS 11: Annual Improvements to IFRS Standards 2015-2017 Cycle | | | √ |
| PFRS 12 Disclosure of Interests in Other Entities | | | √ |
| Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities | | | √ |
| Amendments to PFRS 12: Clarification of the Scope of the Standard | | | √ |
| PFRS 13 Fair Value Measurement | √ | | |
| Amendments to PFRS 13: Short-term Receivables and Payables | √ | | |
| Amendments to PFRS 13: Portfolio Exception | | | √ |
| PFRS 14 Regulatory Deferral Accounts* | | √ | |
| PFRS 15 Revenue from Contracts with Customers* | | √ | |
| PFRS 16 Leases* | | √ | |
| PFRS 17 Insurance Contracts | | √ | |

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|--|----------------|------------------------|---------------------------|
| PHILLIPINE (INTERNATIONAL) ACCOUNTING STANDARDS | | | |
| PAS 1 (Revised) | | | |
| Presentation of Financial Statements | √ | | |
| Amendment to PAS 1: Capital Disclosures | √ | | |
| Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | √ |
| Amendments to PAS 1: Presentation of Items of Other Comprehensive Income | √ | | |
| Amendments to PAS 1: Clarification of the Requirements for Comparative Presentation | √ | | |
| Amendments to PAS 1: Disclosure Initiative | | | |
| PAS 2 | | | |
| Inventories | √ | | |
| PAS 7 | | | |
| Statement of Cash Flows | √ | | |
| Amendments to PAS 7: Disclosure Initiative | | | |
| PAS 8 | | | |
| Accounting Policies, Changes in Accounting Estimates and Errors | √ | | |
| PAS 10 | | | |
| Events after the Reporting Period | √ | | |
| PAS 11 | | | |
| Construction Contracts | | | √ |
| PAS 12 | | | |
| Income Taxes | √ | | |
| Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets | | | √ |
| Amendment to PAS 12: Recognition of Deferred Tax for Unrealized Losses | | | √ |
| PAS 16 | | | |
| Property, Plant and Equipment | √ | | |
| Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization* | | √ | |
| Amendment to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation | | | √ |
| Amendments to PAS 16 and PAS 41: Bearer Plants* | | | √ |
| PAS 17 | | | |
| Leases | | | √ |
| PAS 18 | | | |
| Revenue | √ | | |
| PAS 19 (Amended) | | | |
| Employee Benefits | | | √ |
| Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures | | | √ |
| Amendments to PAS 19: Defined Benefit Plans: Employee Contributions | | | √ |
| Amendments to PAS 19: Plan Amendment, Curtailment or Settlement* | | | √ |
| 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 | √ | | |

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| PAS 24 (Revised) | | | |
| Related Party Disclosures | √ | | |
| Amendment to PAS 24: Key Management Personnel | √ | | |
| PAS 26 | | | |
| Accounting and Reporting by Retirement Benefit Plans | | | √ |
| PAS 27 (Amended) | | | |
| Separate Financial Statements | | | √ |
| Amendments to PFRS 10, PFRS12 and PAS27: Investment Entities | | | √ |
| Amendments to PAS 27: Equity Method in Separate Financial Statements* | | | √ |
| PAS 28 (Amended) | | | |
| Investments in Associates and Joint Ventures | | | √ |
| Amendments to PFRS 10: Sale Contributions of Assets Between Investor and its Associate of Joint Venture | | | √ |
| Amendment to PAS 28: Applying the Consolidation Exception | | | √ |
| Amendment to PAS 28: Measuring an Associate or Joint Venture at Fair Value | | | √ |
| Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures | | | √ |
| PAS 29 | | | |
| Financial Reporting in Hyperinflationary Economies | | | √ |
| PAS 31 | | | |
| Interests in Joint Ventures | | | √ |
| PAS 32 | | | |
| Financial Instruments: Disclosure and Presentation | √ | | |
| Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | √ |
| Amendment to PAS 32: Classification of Rights Issues | | | √ |
| Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities | | | √ |
| Amendment to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments | | | √ |
| PAS 33 | | | |
| Earnings per Share | √ | | |
| PAS 34 | | | |
| Interim Financial Reporting | | | √ |
| Amendment 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 | √ | | |
| 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* | | √ | |

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| PAS 39 | | | |
| Financial Instruments: Recognition and Measurement | √ | | |
| Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities | √ | | |
| Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions | | | √ |
| Amendments to PAS 39: The Fair Value Option | | | √ |
| Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | √ |
| Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | √ | | |
| Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition | √ | | |
| Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives | | | √ |
| Amendment to PAS 39: Eligible Hedged Items | | | √ |
| Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting | | | √ |
| PAS 40 | | | |
| Investment Property | | | √ |
| Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property. | | | √ |
| Amendment to PAS 40: Transfer of Investment Property* | | | |
| PAS 41 | | | |
| Agriculture | | | √ |
| Amendments to PAS 41: Bearer Plants | | | √ |
| PHILIPPINE INTERPRETATIONS | | | |
| IFRIC 1 | | | |
| Changes in Existing Decommissioning, Restoration and Similar Liabilities | | | √ |
| IFRIC 2 | | | |
| Members' Share in Co-operative Entities and Similar Instruments | | | √ |
| IFRIC 4 | | | |
| Determining Whether an Arrangement Contains a Lease | √ | | |
| IFRIC 5 | | | |
| Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | | | √ |
| IFRIC 6 | | | |
| Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment | | | √ |
| IFRIC 7 | | | |
| Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies | | | √ |
| IFRIC 8 | | | |
| Scope of PFRS 2 | | | √ |
| IFRIC 9 | | | |
| Reassessment of Embedded Derivatives | | | √ |
| Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives | | | √ |

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| IFRIC 10 Interim Financial Reporting and Impairment | | | √ |
| IFRIC 11 PFRS 2 - Group and Treasury Share Transactions | | | √ |
| IFRIC 12 Service Concession Arrangements | | | √ |
| IFRIC 13 Customer Loyalty Programmes | | | √ |
| IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | | | √ |
| Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement | | | √ |
| IFRIC 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 | | | √ |
| IFRIC 22 Foreign Currency Transactions and Advance Consideration* | | | √ |
| IFRIC 23 Uncertainty over Income Tax Treatments* | | | √ |
| SIC-7 Introduction of the Euro | | | √ |
| SIC-10 Government Assistance - No Specific Relation to Operating Activities | | | √ |
| SIC-15 Operating Leases - Incentives | | | √ |
| SIC-25 Income Taxes - Changes in the Tax Status of an Entity or its Shareholders | | | √ |
| SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease | √ | | |
| SIC-29 Service Concession Arrangements: Disclosures. | | | √ |
| SIC-31 Revenue - Barter Transactions Involving Advertising Services | | | √ |
| SIC-32 Intangible Assets - Web Site Costs | | | √ |

*Not early-adopted.