

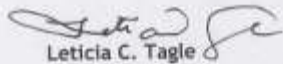
INDEPENDENT AUDITORS' REPORT TO ACCOMPANY INCOME TAX RETURN

The Members and the Board of Trustees
Kasagana-Ka Mutual Benefit Association, Inc.
#5 Don Francisco St., Don Enrique Heights
Commonwealth Avenue, Brgy. Holy Spirit, Quezon City

We have audited the financial statements of Kasagana-Ka Mutual Benefit Association, Inc. (A Nonstock, Nonprofit Organization) (the Association), for the year ended December 31, 2016 on which we have rendered the attached report dated April 10, 2017.

In compliance with Revenue Regulations No. V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or Board of Trustees of the Association.

ROXAS CRUZ TAGLE & CO.
(FORMERLY ALBA ROMEO & CO.)



Leticia C. Tagle

Partner

CPA Certificate No. 0017358

Tax Identification No. 123-048-280

PTR No. 5917851, issued on January 9, 2017, Makati City

BOA/PRC Registration No. 0005, issued on December 1, 2015,

effective until December 31, 2018

SEC Accreditation No. 1583-A (Individual), Group A, issued on September 6, 2016,

effective until September 6, 2019

SEC Accreditation No. 0007-FR-4 (Firm), Group A, issued on July 16, 2015,

effective until July 15, 2018

BIR Accreditation No. 08-001682-6-2014, issued on January 5, 2015,

effective until January 4, 2018

April 10, 2017
Makati City, Philippines



PRACTITIONER'S COMPILATION REPORT

**The Board of Trustees and Members
KASAGANA-KA MUTUAL BENEFITS ASSOCIATION, INC.
Rm 504 F&L Bldg., Commonwealth Ave.,
Bgy Holy Spirit, Q.C.**

I have compiled the accompanying financial statements of KASAGANA-KA MUTUAL BENEFITS ASSOCIATION, INC. based on the information you have provided. These financial statements for KASAGANA-KA MUTUAL BENEFITS ASSOCIATION, INC.: which comprise the statements of assets, liabilities and fund balance of KASAGANA-KA MUTUAL BENEFITS ASSOCIATION, INC. as at December 31, 2016 and 2015 and the statements of revenues and expenses, statements of changes in fund balance and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

I performed this compilation engagement in accordance with Philippine Standard on Related Services 4410 (Revised), Compilation Engagements.

I have applied my expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements on the basis of Philippine Financial Reporting Standards. I have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These financial statements and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, I am not required to verify the accuracy or completeness of the information you provided to me to compile these financial statements. Accordingly, I do not express an audit opinion or a review conclusion on whether these financial statements are prepared in accordance with Philippine Financial Reporting Standards.


IGNACIO G. BARRANCO
TIN 110-174-014
BOA Accreditation No. 0436
BIR Accreditation No. 07-000502-2-2015

April 10, 2017



KASAGANA-KA
Mutual Benefit Association, Inc.

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

The management of Kasagana Ka Mutual Benefit Association, Inc. is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2016. 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. Furthermore, the 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 Value-Added Tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the management affirms that the attached audited financial statements for the year ended December 31, 2016 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Association, 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 has been reported as reconciling items and maintained in the Association's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances; and
- (c) the Association has filed all applicable tax 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.

ISABEL ILIW-ILIW
Chairman of the Board

ISABEL ILIW-ILIW
President



Signed this 10th day of April, 2017

MARISSA LOYOLA
Treasurer

INDEPENDENT AUDITORS' REPORT

The Members and the Board of Trustees
Kasagana-Ka Mutual Benefit Association, Inc.
#5 Don Francisco St., Don Enrique Heights
Commonwealth Avenue, Brgy. Holy Spirit, Quezon City



Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Kasagana-Ka Mutual Benefit Association, Inc. (A Nonstock, Nonprofit Organization) (the Association), which comprise the statements of financial position as at December 31, 2016 and 2015 and the statements of comprehensive income, statements of changes in fund balance and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditor's 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 (the 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 audit opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Parent 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 Parent Association or to cease operations, or have no realistic alternative to do so.

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

Auditor's 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 auditor's report that include our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit is 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 reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of our 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 auditor's 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 auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Report on the Supplementary Information Required by the Bureau of Internal Revenue (BIR)

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information as disclosed in Note 24 to the financial statements is presented for purposes of filing with the BIR 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 a whole.

**ROXAS CRUZ TAGLE & CO.
(FORMERLY ALBA ROMEO & CO.)**


Leticia C. Tagle

Partner

CPA Certificate No. 0017358

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PTR No. 5917851, issued on January 9, 2017, Makati City

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effective until January 4, 2018

April 10, 2017
Makati City, Philippines



KASAGANA-KA MUTUAL BENEFIT ASSOCIATION INC.
(a Non-stock, Not-for-profit Association)

STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016 AND 2015

	Note	2016	2015
ASSETS			
Current assets			
Cash and cash equivalents	6	P56,953,300	P43,960,526
Receivables	7	3,828,671	2,747,379
Other current assets	8	340,429	173,274
Total current assets		61,122,400	46,881,179
Noncurrent assets			
Available-for-sale financial assets	9	15,393,796	15,615,901
Held-to-maturity investments	10	86,678,366	75,678,366
Advances to contractor	11	1,219,366	-
Property and equipment, net	12	422,412	490,543
Other noncurrent assets	13	253,406	-
Total noncurrent assets		103,967,346	91,784,810
Total assets		P165,089,746	P138,665,989
LIABILITIES AND FUND BALANCE			
Current liabilities			
Trade and other payables	14	P947,821	P330,032
Liability on individual equity value	15	3,922,456	4,154,143
Aggregate reserve for trust liability	15	6,854,684	6,285,854
Basic contingent benefit reserve	15	200,509	164,503
Optional benefit reserve	15	748,406	763,668
Claims payable on basic contingent benefit	16	486,273	268,175
Total current liabilities		13,160,149	11,966,375
Noncurrent liabilities			
Liability on individual equity value	15	63,381,945	59,763,466
Aggregate reserve for trust liability	15	29,275,505	23,780,311
Retirement benefit obligation	19	588,531	626,239
Total noncurrent liabilities		93,245,981	84,170,016
Total liabilities		106,406,130	96,136,391
FUND BALANCE			
Restricted balance	17	22,977,037	20,304,408
Unrestricted balance	17	35,706,579	22,225,190
Total fund balance		58,683,616	42,529,598
Total liabilities and fund balance		P165,089,746	P138,665,989

(The notes on pages 5 to 50 are integral part of these financial statements.)

KASAGANA-KA MUTUAL BENEFIT ASSOCIATION INC.

(a Non-stock, Not-for-profit Association)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Note	2016	2015
Revenue	20	<u>P39,770,564</u>	<u>P36,114,673</u>
Benefit expenses			
Allocation for liability on individual equity		(12,394,537)	(11,583,340)
Benefit/claims expenses - BLIP		(6,951,019)	(5,693,005)
Benefit/claims expenses - Equity value		(3,648,112)	(3,708,696)
Benefit/claims expenses - CLIP		(1,390,000)	(1,208,419)
Collection fees		(1,109,150)	(1,037,138)
Other expenses for members		(866,724)	(601,263)
Increase/decrease in aggregate reserve for trust liability		(657,867)	(543,277)
Increase/decrease in reserve for basic contingent fund		(253,545)	(3,971)
Increase/decrease in liability on individual equity		8,995,303	-
Increase/decrease in reserve for optional benefit		15,262	(165,435)
Total benefit expense		<u>(18,260,389)</u>	<u>(24,544,544)</u>
Revenue before operating expense		<u>21,510,175</u>	<u>11,570,129</u>
Operating expenses	21	<u>(7,963,418)</u>	<u>(6,658,438)</u>
Revenue from operations		13,546,757	4,911,691
Finance income	4,6,10	<u>4,420,930</u>	<u>4,102,617</u>
Net revenue		<u>17,967,687</u>	<u>9,014,308</u>
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Unrealized gain (loss) on AFS financial assets	9	(222,105)	436,759
Actuarial gain (loss) on defined benefit obligation	19	78,460	(260,303)
Other comprehensive income (loss) for the year		<u>(143,645)</u>	<u>176,456</u>
Total comprehensive income		<u>P17,824,042</u>	<u>P9,190,764</u>

(The notes on pages 5 to 50 are integral part of these financial statements.)



KASAGANA-KA MUTUAL BENEFIT ASSOCIATION INC.
(a Non-stock, Not-for-profit Association)

STATEMENTS OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Restricted fund balance (Note 17)	Unrestricted fund balance (Note 17)	Actuarial gain (loss) (Note 19)	Unrealized gain on available-for- sale financial assets (Note 9)	Total
Balance at January 1, 2015	P18,001,974	P16,780,732	P11,064	P179,142	P34,972,912
Decrease in fund balance	(1,634,078)	-	-	-	(1,634,078)
Net income for the year	-	9,014,308	-	-	9,014,308
Other comprehensive income	-	-	(260,303)	436,759	176,456
Appropriations	3,936,512	(3,936,512)	-	-	-
Balance at December 31, 2015	20,304,408	21,858,528	(249,239)	615,901	42,529,598
Decrease in fund balance	(1,670,024)	-	-	-	(1,670,024)
Net income for the year	-	17,967,687	-	-	17,967,687
Other comprehensive income	-	-	78,460	(222,105)	(143,645)
Appropriations	4,342,653	(4,342,653)	-	-	-
Balance at December 31, 2016	P22,977,037	P35,483,562	(P170,779)	P393,796	P58,683,616

(The notes on pages 5 to 50 are integral part of these financial statements.)

KASAGANA-KA MUTUAL BENEFIT ASSOCIATION INC.
(a Non-stock, Not-for-profit Association)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Note	2016	2015
Cash flows from operating activities			
Net revenue		P17,967,687	P9,014,308
Adjustments for:			
Depreciation	12,21	327,595	342,739
Retirement benefit cost	19,21	201,048	185,221
Gain on sale of equipments	12	(3,609)	-
Finance income	4,6,10	(4,420,930)	(4,102,617)
Operating profit before working capital changes		14,071,791	5,439,651
(Increase) decrease in:			
Receivables		(578,824)	2,346,073
Other current assets		(167,155)	(42,763)
Increase (decrease) in:			
Trade and other payables		617,789	(283,353)
Basic contingent benefit reserve		36,006	534
Optional benefit reserve		(15,262)	165,435
Claims payable on basic contingent benefit		218,098	3,436
Cash generated from operations		14,182,443	7,629,013
Finance income received		3,918,462	4,102,617
Net cash provided by operating activities		18,100,905	11,731,630
Cash flows from investing activities			
Acquisition of held-to-maturity investment	10	(11,000,000)	-
Advances to contractor	11	(1,219,366)	-
Acquisition of property and equipment	12	(261,908)	(172,199)
Proceeds from disposal of property and equipment	12	6,053	-
Increase in other noncurrent assets		(253,406)	-
Net cash used in investing activities		(12,728,627)	(172,199)
Cash flows from financing activities			
Payment of retirement liability	19	(160,296)	(293,688)
Increase in liability on individual equity value		3,386,792	11,583,340
Increase in aggregate reserve for trust liability		6,064,024	5,369,622
Decrease in fund balance		(1,670,024)	(1,634,078)
Net cash provided by financing activities		7,620,496	15,025,196
Net increase in cash and cash equivalents		12,992,774	26,584,627
Cash and cash equivalents			
January 1	6	43,960,526	17,375,899
December 31	6	P56,953,300	P43,960,526

(The notes on pages 5 to 50 are integral part of these financial statements.)

KASAGANA-KA MUTUAL BENEFIT ASSOCIATION, INC.
(a Non-stock, Not-for-profit Association)

NOTES TO FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015

NOTE 1- GENERAL INFORMATION

Kasagana-ka Mutual Benefit Association Inc. (the Association) was organized and incorporated under the laws of the Republic of the Philippines and registered with the Securities and Exchange Commission (SEC) on June 29, 2006 per SEC Registration Number CN200610153. The Association is primarily engaged to promote the welfare of the poor; to extend financial assistance to its members in the form of death benefit, medical subsidy, pension and loan redemption assistance; and to ensure continued access to benefits and resources by actively involving the members in the direct management of the Association that will include implementation of policies and procedures geared towards sustainability and improved services.

The Association is a nonstock, nonprofit entity that no part of the income, which the Association may obtain as an incident to its operations, shall be distributed as dividends to its members, trustees or officers subject to the provisions of the Corporation Code on dissolution. Any profit obtained by the Association as a result of its operations, whenever necessary or proper shall be used for the furtherance of its purpose.

The Association's registered office address, which is also its principal place of business, is located at #5 Don Francisco St., Don Enrique Heights Commonwealth Avenue, Brgy. Holy Spirit, Quezon City.

1.1 Approval of financial statements

The financial statements of the Association have been approved and authorized for issuance by the Board of Trustees (BOT) on April 10, 2017. The Association's General Manager, Silvida Antiquera was authorized by the BOT to sign for and on behalf of the BOT, to approve and cause the submission of the audited financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation and accounting policies

The principal accounting policies applied in the preparation of the Association's financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

Statement of compliance

The financial statements of the Association have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) as issued by the Financial Reporting Standards Council, and adopted by SEC.

The SEC issued a notice on October 11, 2010 allowing SMEs exemption from the mandatory adoption of PFRS For SMEs. Based on the exception criteria that it is a holder of a secondary license issued by regulatory agencies, the Association elected to adopt the PFRS framework.

Basis of measurement and presentation

The Association's financial statements have been prepared on a historical cost basis, except for available-for-sale (AFS) financial assets which have been measured at fair value.

Functional currency

The financial statements are prepared in Philippine Peso (P), which is the Association's functional and presentation currency. All values are rounded to the nearest peso, except when otherwise stated.

Use of judgments and estimates

The preparation of the financial statements in compliance with PFRS requires the use of certain critical accounting estimates. It also requires the Association's management to exercise judgment in applying the Association's accounting policies. The areas where significant judgments and estimates have been made in preparing the Association's financial statements and their effects are disclosed in Note 3.

Standards and amendments effective before or on December 31, 2016

Amendments to PFRS 10 Consolidated Financial Statements, PFRS 12 Disclosure of Interests in Other Entities and PAS 28 Investments in Associates and Joint ventures: The amendments clarify a number of aspects of PFRS 10, PFRS 12 and PAS 28 in relation to the investment entities consolidation exception:

- (i) *How intermediate parent entities should apply the general scope exemption from preparing consolidated financial statements provided by PFRS 10.4, when the ultimate parent is an investment entity.*

The amendments clarify that so long as the entity's ultimate (or intermediate) parent produces financial statements that are in compliance with PFRS 10 (including an investment entity that accounts for its interests in all of its subsidiaries at fair value rather than consolidating them), the exemption is available to the intermediate parent entity from presenting its own consolidated financial statements (so long as the other criteria of PFRS 10.4(a) have been met).

- (ii) *How an investment entity parent should account for a subsidiary that provides services related to its investment activities and is also itself an investment entity*

The amendments clarify that an investment entity parent consolidates a subsidiary only when:

- The subsidiary is not itself an investment entity, and
- The subsidiary's main purpose is to provide services that relate to the investment entity's investment activities.

- (iii) *How PFRS 12 should be applied to an investment entity*

The amendments clarify that an investment entity that prepares financial statements in which all of its subsidiaries are measured at fair value through profit or loss (FVTPL) is required to present the disclosures relating to investment entities as required by PFRS 12.

- (iv) *How a non-investment entity should account for its interests in any associates or joint ventures that are investment entities*

The amendments clarify that for an entity that is not itself an investment entity but has an interest in an associate or joint venture that is an investment entity, the noninvestment entity may, when applying the equity method, retain the fair value measurement applied by the investment entity associate or joint venture to account for its own interests in its subsidiaries.

Amendments to PFRS 11 Joint Arrangements: The amendments require an entity to apply all of the principles of PFRS 3 Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined by PFRS 3.

The amendment also includes two new Illustrative Examples:

- Example 7: Accounting for acquisitions of interests in joint operations in which the activity constitutes a business
- Example 8: Contributing the right to use know-how to a joint operation in which the activity constitutes a business.

A consequential amendment to PFRS 1 *First-time Adoption of International Financial Reporting Standards* has also been made, to clarify that the exemption from applying PFRS 3 to past business combinations upon adoption of PFRS also applies to past acquisitions of interests in joint operations in which the activity of the joint operation constitutes a business.

PFRS 14 regulatory Deferral Accounts: PFRS 14 is an interim standard, pending the outcome of the PASB's more comprehensive Rate-regulated Activities project, which was re-opened in September 2012.

In many countries, industry sectors (including utilities such as gas, electricity and water) are subject to rate regulation where governments regulate the supply and pricing. This can have a significant effect on the amount and timing of an entity's revenue. Some national GAAPs require entities, that operate in industry sectors subject to rate regulation, to recognize associated assets and liabilities.

The scope of PFRS 14 is narrow, with this extending to cover only those entities that:

- Are first-time adopters of PFRS
- Conduct rate regulated activities
- Recognize associated assets and/or liabilities in accordance with their current national GAAP.

Entities within the scope of PFRS 14 would be afforded an option to apply their previous local GAAP accounting policies for the recognition, measurement and impairment of assets and liabilities arising from rate regulation, which would be termed regulatory deferral account balances.

Any regulatory deferral account balances, and their associated effect on profit or loss, would be recognized and presented separately from other items in the primary financial statements. As a result, for those entities that elect to adopt PFRS 14, all other line items and subtotals would exclude the effects of regulatory deferral accounts, meaning that they would be comparable with other entities that report in accordance with PFRS but do not apply PFRS 14.

Application guidance is included in PFRS 14 in respect of other PFRSs that would need to be considered alongside the previous national GAAP accounting requirements in order for these regulatory deferral accounts to be accounted for appropriately in an entity's PFRS financial statements, including:

- PAS 10 Events after the Reporting Period
- PAS 12 Income Taxes
- PAS 28 Investments in Associates and Joint Ventures
- PAS 33 Earnings per Share
- PAS 36 Impairment of Assets

- PFRS 3 Business Combinations
- PFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- PFRS 10 Consolidated Financial Statements
- PFRS 12 Disclosure of Interests in Other Entities.

Amendments to PAS 1 Presentation of Financial Statements: The amendments made to PAS 1 include:

- *Materiality:* Aggregation or disaggregation should not obscure useful information. Materiality applies to each of the primary financial statements, the notes and each specific disclosure required by PFRSs.
- *Line Items in primary financial statements:* Additional guidance for the line items required to be presented in primary statements, in particular that it may be appropriate for these to be disaggregated, and new requirements regarding the use of subtotals.
- *Notes to the financial statements:* Determination of the order of the notes should include consideration of understandability and comparability of financial statements. It has been clarified that the order listed in PAS 1.114(c) is illustrative only.
- *Accounting policies:* Removal of the examples in PAS 1.120 in respect of income taxes and foreign exchange gains and losses.

In addition, the following amendments to PAS 1 were made which arose from a submission received by the PFRS Interpretations Committee:

- *Equity accounted investments:* An entity's share of other comprehensive income will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as single line items within those two groups.

Amendments to PAS 16 Property, Plant and Equipment and PAS 38 Intangible Assets

Clarification of Acceptable Methods of Depreciation and Amortization

PAS 16 has been amended to prohibit the use of revenue-based methods of depreciation for items of property, plant and equipment. This is because the revenue generated by an activity that includes the use of an item of property, plant and equipment generally reflects factors other than the consumption of the economic benefits of the item, such as:

- Other inputs and processes
- Selling activities and changes in sales
- Volumes and prices, and
- Inflation.

Guidance on depreciation has been expanded to state that expected future reductions in the selling price of items produced by an item of property, plant and equipment could indicate technical or commercial obsolescence (and therefore a reduction in the economic benefits embodied in the item), rather than a change in the depreciable amount or period of the item.

PAS 38 has been amended to incorporate a rebuttable presumption that Amortization based on revenue is not appropriate. The presumption can be rebutted if either:

- The intangible asset is expressed as a measure of revenue; or
- Revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to PAS 16 Property, Plant and Equipment and PAS 41 Agriculture: The amendments extend the scope of PAS 16 to include bearer plants and define a bearer plant as a living plant that:

- Is used in the production process of agricultural produce,
- Is expected to bear produce for more than one period; and
- Has a remote likelihood of being sold (except incidental scrap sales).

The changes made result in bearer plants being accounted for in accordance with PAS 16 using either:

- The cost model, or
- The revaluation model.

As such, bearer plants are no longer within the scope of PAS 41. However, the agricultural produce of bearer plants remains within the scope of PAS 41.

The amendments include the following transitional reliefs for the purposes of first time application:

- Deemed cost exemption - Entities are allowed to use the fair value of the bearer plants at the beginning of the earliest period presented as deemed cost for PAS 16 purposes.
- Disclosures - Quantitative information describing the effect of the first time application as required by PAS 8.28(f) is not required for the current reporting period, but is required for each prior period presented.

Amendments to PAS 27 Separate Financial Statements: The amendments include the introduction of an option for an entity to account for its investments in subsidiaries, joint ventures, and associates using the equity method in its separate financial statements. The accounting approach that is selected is required to be applied for each category of investment.

Before the amendments, an entity accounted for its investments in subsidiaries, joint ventures or associates either at cost or in accordance with PFRS 9 *Financial Instruments* (or PAS 39 *Financial Instruments: Recognition and Measurement* for those entities that have yet to adopt PFRS 9). The option to present its investments using the equity method result in the presentation of a share of profit or loss, and other comprehensive income, of subsidiaries, joint ventures and associates with a corresponding adjustment to the carrying amount of the equity accounted investment in the statement of financial position. Any dividends received are deducted from the carrying amount of the equity accounted investment, and are not recorded as income in profit or loss.

A consequential amendment was also made to PAS 28 *Investments in Associates and Joint Ventures*, to avoid a potential conflict with PFRS 10 *Consolidated Financial Statements* for partial sell downs.

Amendments to PAS 34 Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report': PAS 34 requires certain disclosures to be presented in the notes to the interim financial report, unless they are presented elsewhere in the interim financial report (such as a front end management report).

If the disclosures are presented 'elsewhere' in the interim financial report, such as in the management commentary or the risk report of an entity, a cross reference must be made from the notes to the interim financial statements to where the disclosures have been made. Further, if the disclosures are contained in a separate document from the interim report, that document needs to be available on the same terms and at the same time as the interim report itself.

Annual Improvements to PFRSs (2012 - 2014 Cycle)

PFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* - Changes in methods of disposal: The amendment clarifies that the reclassification of an asset or disposal group from being held for sale to being held for distribution to owners, or vice versa is considered to be a continuation of the original plan of disposal. Upon reclassification, the classification, presentation and measurement requirements of PFRS 5 are applied. If an asset ceases to be classified as held for distribution to owners, the requirements of PFRS 5 for assets that cease to be classified as held for sale apply.

PFRS 7 Financial Instruments: Disclosures: The amendments to PFRS 7 dealt with two aspects: servicing of contracts and the applicability in interim financial statements of the offsetting amendments made to PFRS 7 in December 2011.

(i) Servicing contracts

The PASB clarified the circumstances in which an entity has continuing involvement from the servicing of a transferred asset. Continuing involvement exists if the servicer has a future interest in the performance of the transferred financial asset. Examples of situations where continuing involvement exist are where a transferor's servicing fee is:

- A variable fee which is dependent on the amount of the transferred asset that is ultimately recovered; or
- A fixed fee that may not be paid in full because of non-performance of the transferred financial asset.

The amendment is required to be applied retrospectively in accordance with PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. However, the amendment does not need to be applied for any period beginning before the annual period in which the entity first applies the amendments. A consequential amendment has been made to PFRS 1 First-time Adoption of International Financial Reporting Standards, in order that the same transitional provision applies to first time adopters.

(ii) Applicability of offsetting in condensed interim financial statements

A further amendment to PFRS 7 has clarified that the application of the amendment Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7) issued in December 2011 is not explicitly required for all interim periods. However, it is noted that in some cases these disclosures may need to be included in condensed interim financial statements in order to comply with PAS 34.

PAS 19 Employee benefits - Discount rate - regional market issue: The guidance in PAS 19 has been clarified and requires that high quality corporate bonds used to determine the discount rate for the accounting of employee benefits need to be denominated in the same currency as the related benefits that will be paid to the employee.

Entities are required to apply the amendment from the earliest comparative period presented in the financial statements, with initial adjustments being recognized in retained earnings at the beginning of that period.

Standards and amendments effective after December 31, 2016

PFRS 9 Financial Instruments (2014): In July 2014 the PASB published PFRS 9 Financial Instruments (2014) which incorporated the final requirements on all three phases of the financial instruments projects - classification and measurement, impairment, and hedge accounting. The original version of PFRS 9, issued in 2009, introduced new criteria for the classification and measurement of financial assets to be measured at amortised cost. In order to qualify for amortised cost measurement, a two stage test is applied. Firstly, the entity's business model must be to collect the contractual cash flows from the asset, rather than selling it to realise its fair value. Secondly, the asset must have contractual cash flows which are comprised solely of the principal amount due plus interest on the principal amount outstanding (which is only time value plus a margin for credit risk), often referred to as 'SPPI'. Financial assets that pass those two tests are measured at amortised cost, with all others being measured at fair value. The criteria are applied to the assets as a whole, with the previous guidance in PAS 39 Financial Instruments: Recognition and Measurement for embedded derivatives no longer applying to financial assets.

PFRS 9 (2014) introduces amendments to the previously finalised classification and measurement requirements for financial assets. A third measurement category has also been added for debt instruments - FVTOCI. This new measurement category applies to debt instruments that meet the Solely Payments of Principal and Interest (SPPI) contractual cash flow characteristics test and where the entity is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets. Additional application guidance was included to clarify the requirements for contractual cash flows of a financial asset to be regarded as giving rise to payments that are SPPI.

The classification and measurement requirements for financial liabilities were first added to PFRS 9 in 2010 and have been carried forward from PAS 39 largely unchanged, including a continuation of the requirement to separate embedded derivatives. However a significant change is that, if a financial liability is designated (under the option available in PFRS 9) as at fair value through profit or loss, changes in the fair value of that financial liability that are attributable to changes in the entity's own credit risk will typically be recorded in Other Comprehensive Income instead of profit or loss. This change has been made in order to prevent a deterioration in an entity's financial position (and hence credit status) resulting in gains being reported in profit or loss.

The existing guidance for derecognition of financial assets and liabilities has been carried forward from PAS 39 unchanged, with some improvements to disclosure requirements being added to PFRS 7 Financial Instruments: Disclosures.

For the impairment of financial assets, a new 'expected loss' model in PFRS 9 (2014) replaces the 'Incurred loss' model in PAS 39. The new impairment requirements will affect all entities with financial assets that are not measured at fair value through profit or loss and are likely to bring significant changes. Provisions for trade receivables will need to be determined using a forward looking approach and, while for some entities the provisions may be relatively straightforward to calculate, the approach is significantly different and more complex in comparison to the incurred loss model, and new systems and processes may well be needed. For financial institutions the changes are likely to be very significant and require major changes to internal systems and processes in order to capture the required information.

The hedge accounting requirements of PFRS 9 are also significantly different from those set out in PAS 39, and are designed to align hedge accounting more closely with entities' risk management processes. In practice, it will be significantly more straightforward to apply hedge accounting under the new model and we expect that entities that have previously decided not to hedge account may do so in future.

The effective date of the fully completed version of PFRS 9 (2014) is for periods beginning on or after 1 January 2018 with retrospective application. Early application is permitted. If an entity's date of initial application (the start of the period in which PFRS 9 is adopted) is before 1 February 2015, there is a choice of which version of PFRS 9 to adopt (2009, 2010, 2013 or 2014). The 2009 version covered the classification and measurement of financial assets only, the 2010 version added the classification and measurement of financial liabilities and derecognition, and the 2013 version added hedge accounting.

In addition, there is an option to early adopt the 'own credit' provisions for financial liabilities measured at fair value through profit or loss (FVTPL) under the fair value option without any of the other requirements of PFRS 9. This option will remain available until 1 January 2018.

PFRS 15 Revenue from Contracts with Customers: In May 2014, the PASB published PFRS 15 Revenue from Contracts with Customers. The new Standard, which is fully converged with equivalent new US GAAP guidance issued at the same time, contains comprehensive guidance for accounting for revenue and will replace existing requirements which are currently set out in two existing standards (PAS 18 Revenue and PAS 11 Construction Contracts) and related interpretations

(IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services).

PFRS 15 contains significantly more prescriptive and precise requirements in comparison with existing PFRS. In future, revenue will be recognised from the application of the following five steps:

1. Identify the contract

(IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services).

PFRS 15 contains significantly more prescriptive and precise requirements in comparison with existing PFRS. In future, revenue will be recognised from the application of the following five steps:

1. Identify the contract
2. Identify the performance obligation(s)
3. Determine the transaction price
4. Allocate the transaction price to each performance obligation
5. Recognise revenue when each performance obligation is satisfied.

The introduction of the new requirements means that for many entities the timing and profile of revenue recognition will change. In some areas the changes will be very significant and will require careful planning, including for commercial effects (such as compliance with bank covenants, performance based remuneration and business combinations).

PFRS 15 is effective for periods beginning on or after 1 January 2017, with early application permitted.

In May 2015 the PASB published Exposure Draft ED/2015/2 Effective Date of PFRS 15 which proposes to defer the effective date of PFRS 15 by one year to 1 January 2018. The reason for deferring the effective date is that additional changes to PFRS 15 will be proposed in the near future that stem from the discussions at the PASB and FASB Joint Transition Resource Group for Revenue Recognition (TRG). The comment deadline ended on 3 July 2015.

At its meeting on 22 July 2015, the PASB decided to defer the effective date of PFRS 15 Revenue from Contracts with Customers to periods beginning on or after 1 January 2018.

In addition the change will keep the effective date aligned with the equivalent US GAAP guidance. The FASB published Accounting Standards Update 2014-09 (ASU) on 29 April 2015, which proposes to defer the effective date of the new revenue standard by one year. At its meeting on 9 July 2015, the FASB affirmed its proposal to defer the effective date, the final ASU is expected to be published by the end of the third quarter of 2015.

PFRS 16 Leases. PFRS 16 specifies how an PFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with PFRS 16's approach to lessor accounting substantially unchanged from its predecessor, PAS 17. PFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019.

2.2 Current versus noncurrent classification

The Association presents assets and liabilities in the statement of financial position based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as noncurrent. A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Association classifies all other liabilities as noncurrent.

2.3 Fair value measurement

The Association measures financial instruments at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 4.

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

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

The principal or the most advantageous market must be accessible to 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 non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Association uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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 re-assessing 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.

For the purpose of fair value disclosures, the Association has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i. Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss (FVPL), loans and receivables, held to maturity (HTM) investments, available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Association commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

(a) *Financial assets at FVPL*

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at FVPL.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by PAS 39. Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of comprehensive income.

The Association has financial assets at FVPL as at December 31, 2016 and 2015 (Notes 4 and 9).

(b) *Loans and receivables*

This category is the most relevant to the Association. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in finance costs for loans and in general and administrative expenses for receivables.

The category generally applies to cash and cash equivalents and receivables in the statement of financial position (Note 4).

(c) HTM investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Association has the positive intention and ability to hold them to maturity. After initial measurement, HTM investments are measured at amortized cost using the EIR, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in finance costs.

The Association has HTM investments as at December 31, 2016 and 2015 (Note 4).

(d) AFS investments

AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income and credited in the AFS reserve until the investment is derecognized, at which time, the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of comprehensive income in finance costs. Interest earned while holding AFS financial investments is reported as finance income using the EIR method.

The Association evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Association is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Association may elect to reclassify these financial assets if the Association has the intent and ability to hold these assets for the foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of comprehensive income.

The Association has AFS financial assets as at December 31, 2016 and 2015 (Note 4).

Derecognition

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

- a) the rights to receive cash flows from the asset have expired, or
- b) the Association has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (i) the Association has transferred substantially all the

risks and rewards of the asset, or (ii) the Association has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Association has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Association continues to recognize the transferred asset to the extent of the Association's continuing involvement. In that case, the Association also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Association has retained.

Continuing involvement that takes the form of guarantee over transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Association could be required to pay.

ii. Impairment of financial assets

The Association assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the 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 observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Further disclosures relating to impairment of financial assets are also provided in Notes 3 and 5.

(a) Financial assets carried at amortized cost

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

The carrying amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the statement of comprehensive income. Interest income (recorded as finance income in the statement of comprehensive income) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Association. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

(b) Financial assets carried at cost

If there is objective evidence of an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or of a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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 discounted at the current market rate of return for a similar financial asset.

(c) AFS investments

For AFS financial investments, the Association assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of comprehensive income - is removed from other comprehensive income and recognized in the statement of comprehensive income. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgment. In making this judgment, the Association evaluates among other factors the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

iii. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL and other financial liabilities. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Association's financial liabilities comprise other financial liabilities, which include accrued expenses and other payables and policy and contract claims payable (Note 4).

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

(a) Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Association that are not designated as hedging instruments in hedge relationships as defined by PAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of comprehensive income.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PAS 39 are satisfied.

The Association does not have any liabilities held for trading nor has it designated any financial liability as being at FVPL.

(b) Other financial liabilities

This is the category most relevant to the Association. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income.

This category generally applies trade and other payables, aggregate reserves and claims payable on basic contingent benefit (Notes 14, 15 and 16).

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

iv. Classification of financial instruments between debt and equity

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability is reported as expense or income.

v. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the asset and settle the liability simultaneously.

2.5 Insurance contracts

Product classification

Insurance contracts under which the Association (the insurer) has accepted significant insurance risk from another party (the policy holders) by agreeing to compensate the policy holders if a specified uncertain future event (the insured event) adversely affects the policy holder. As a general guideline, the Association determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risks.

Once a contract has been classified as an insurance contract, it remains as insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period, unless all rights and obligations are extinguished or expired.

Benefits and claims

Claims consist of benefits and claims paid to policyholders, which include excess gross benefit claims for unit-link insurance contract. Death claims, surrenders and non life insurance claims are recorded on the basis of notifications received. Maturities are recorded when due.

Liability adequacy tests

At each financial reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of reinsurance assets. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from assets backing such liabilities are used. Any deficiency is immediately recognized in the statement of comprehensive income.

2.6 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 (3) months or less from dates of placements and that are subject to an insignificant risk of change in value.

2.7 Receivables

Receivables are recognized initially at the transaction price and are subsequently measured at amortized cost using the EIR method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Association will not be able to collect all amounts due according to the original terms of the receivables.

Other receivables are also measured at initial recognition at transaction price. They are subsequently measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. Bad debts are written off when identified.

2.8 Other current assets

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to statement of comprehensive income as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the statement of financial position as current assets when the cost of goods or services related to the prepayment are expected to be incurred within one year or the Association's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as noncurrent assets.

Other current assets are recognized when the Association expects to receive future economic benefit from them and the amount can be measured reliably. Other assets are classified in the statement of financial position as current assets when the cost of goods or services related to the assets are expected to be incurred within one year or the Association's normal operating cycle, whichever is longer. Otherwise, other assets are classified as noncurrent assets.

2.9 Property and equipment

Property and equipment are initially measured at cost. At the end of each reporting period, items of property and equipment are measured at cost less any subsequent accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Association. All other subsequent expenditures are recognized as expense in the period in which those are incurred.

Depreciation is charged so as to allocate the cost of other assets less their residual values over their estimated useful lives using the straight-line method. Below is the estimated useful lives used for the depreciation of property and equipment:

Property classification	Estimated useful life
Furniture and fixtures	5 years
Office equipment	3 years
Computer equipment	3 years
Office improvement	3 years

Leasehold improvements are amortized over the estimated useful life of the office improvements.

Depreciation of these assets, on the same basis as other property assets, commences at the time the assets are ready for their intended use.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is charged to the statement of comprehensive income.

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value are removed from the accounts and any resulting gain or loss arising on the disposal or retirement of an asset, determined as the difference between the sales proceeds and the carrying amount of the asset, is recognized in the statement of comprehensive income.

2.10 Intangible Asset

Computer software is stated at cost less accumulated amortization and any accumulated impairment losses.

2.11 Impairment of non-financial assets

The carrying amounts of the Association's non-financial assets such as property and equipment are reviewed at each financial reporting date to determine whether there is any indication of impairment or an impairment loss previously recognized no longer exists or may have decreased. If any such indication exists, the Association makes a formal estimate of the asset's recoverable amount.

The recoverable amount is the higher of an asset or its cash generating unit's (CGU) fair value less costs to sell and its value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

Whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount and an impairment loss is recognized in the statement of comprehensive income.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized. Reversals of impairment are recognized in the statement of comprehensive income.

2.12 Trade and other payables

Trade payables are recognized in the period in which the money or services are received or when a legally enforceable claim against the Company is established or when the corresponding assets and expenses are recognized/ incurred.

Accrued expenses and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accrued expenses and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer); otherwise, they are presented as noncurrent liabilities. These are measured initially at fair value and subsequently measured at amortized cost using the EIR method.

Accrued expenses are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with supplier. It is necessary to estimate the amount of accrued expenses, however, the uncertainty is generally much less than for provision.

Other payables pertain to government dues and remittances.

Government dues and remittances include withholding income taxes which represent taxes retained by the Association for an item of income required to be remitted to the BIR within one (1) month. The obligation of the Association to deduct and withhold the taxes arises at the time the income payment is paid or payable, or the income payment is accrued or recorded as an expense or asset, whichever comes first. The term "payable" refers to the date the obligation becomes due, demandable, or legally enforceable.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the EIR method.

2.13 Liability for incurred policy benefit

A liability for incurred policy benefits relating to life insurance contracts in force is accrued when premium revenue is recognized.

The Association's aggregate reserve for life policies, policy and contract claims payable, applicant's deposit and other funds and premium deposit fund are computed annually based on the approved valuation method by the Insurance Commission (IC) and certified to by an independent actuary.

Liability adequacy test

The Association assesses at each reporting date whether its recognized insurance liabilities are adequate, using the current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency shall be recognized in profit or loss.

The liability is derecognized when the contract expires, is discharged or is cancelled.

2.14 Basic contingent benefit reserves

Basic contingent benefit reserves represent the total actuarial reserve set-up by the Association pertaining to the basic life benefit that is in force as at the end of the accounting period. It refers to the amount of liability which the Association establishes for a certificate to meet the contractual obligation as it falls due.

2.15 Liability on individual fund value

Upon termination of membership, a member who has been with the Association at least three (3) full years shall be entitled to an equity value equivalent to at least fifty percent (50%) of the total weekly contributions collected from him.

The Association's Board of Trustees shall set up each year sufficient reserves for the payment of claims and other obligations in accordance with actuarial procedures approved by the Insurance Commission. If the reserves become impaired, the Board of Trustees shall require all members' equitable proportion of such indebtedness against the members and draw interest not exceeding five percent (5%) per annum compounded annually.

Withdrawal from the funds of the Association, whether by check or any other instruments, is signed by at least two (2) persons designated by the unanimous vote of the Association's Board of Trustees.

2.16 Optional benefit reserve

Optional benefit reserve represents the total actuarial reserve set up by the Association pertaining to the policies under optional benefit that is in force as at the end of the accounting period. It refers to the amount of liability which the Association establishes for an optional policy to meet the contractual obligation as it falls due.

2.17 Claims payable on basic contingent fund

Claims payable on basic contingent fund represents the sum of the individual claims on membership certificates that are due and have already been approved for payment but, for one reason or another, have not actually been paid. This includes check already issued to beneficiaries but not yet released as of the end of the financial reporting period.

2.18 Retirement obligation

Pursuant to the provision of the Republic Act 7641, all companies are required to provide retirement benefits to all their employees, except when the Association has less than 10 employees. This employment benefit plan is a defined benefit plan because the entity's obligation is to provide specific level of benefit for every year of services.

(a) Pension obligations

A defined contribution plan is a pension plan under which the Association pays fixed contributions into a separate entity. The Association has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability or asset recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually using projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of all related pension obligations.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or

asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of income.

Remeasurements comprising actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The cumulative gains or losses arising from the remeasurements are shown as a separate line item in the statement of financial position as "remeasurement of retirement benefits obligation".

(b) Profit-sharing and bonuses

The Association recognizes a liability and expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Association's shareholders after certain adjustments. The Association recognizes a provision where contractually obliged or where there is a practice that has created a constructive obligation.

2.19 Fund balance

Fund balance refers to the residual interest in the assets of the Association after deducting all its liabilities. This represents the accumulated earnings of the Association reduced by whatever losses the Association may incur during a certain accounting period.

2.20 Provisions and contingencies

Provisions are recognized when: (a) the Association has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance cost. When the Association expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement.

Contingent liabilities are not recognized in the Association's financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the Association's financial statements but disclosed in the notes to Association's financial statements when an inflow of economic benefits is probable.

2.21 Revenue recognition

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

The funds of the Association are derived from membership fees, periodic dues, weekly contributions collected from members and income from interest on savings and investments.

Premiums on policies issued directly by the Association are recognized on the effective date of the title policy.

Contribution and fees

Members are charged a one-time thirty pesos (P30.00) application fee for KDCI members and one hundred pesos (P100) for associate members in order to cover the expenses incurred in processing their application. This fee is neither refundable nor included in determining the member's accumulated and refundable contributions. Membership fees are recognized upon the admission of a qualified member to the Association.

Members are charged twenty pesos (P20.00) contribution per week for the payment of death and total disability of a member, and death of any member's legal spouse, or any of the members' legitimate and/or legally adopted children in accordance with the Association's table of Life Insurance Benefits. Twenty percent (20%) of the weekly contribution from its members is deducted as General Administrative Funds and any balance is used for payment of mutual benefits.

The contribution may be adjusted by the Board of Trustees as may be necessary to maintain the funds of the Association at a level adequate to meet its benefit obligations or commitments under the plan.

Finance income

For all financial instruments measured at amortized cost, interest income is recorded using the EIR which is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in "Finance income" in the statement comprehensive of income.

Other income

Income from other sources is recognized when earned.

2.22 Benefit and other expense recognition

Benefit and other expenses are recognized in the statement of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized: on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

2.23 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Company does not have any leases under finance lease.

Company as lessee

Assets held under finance leases are recognized as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the company's statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognized as expense in the period in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.24 Related parties

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Individuals, associates or companies that directly or indirectly control or are controlled by or under common control with the Association are considered related parties. The key management personnel of the Association are also considered to be related parties.

2.25 Income taxes

The Association is exempted from income tax under Section 30 (c) of the National Internal Revenue Code as a non-stock association organized and operated exclusively for charitable and cultural purposes no part of its net income or asset shall belong to or inure to the benefit of any member, organizer, officer or any specific person. Interest earned from the placement of Association funds are, however, subject to final tax. The interest income shown in the financial statement is net of final tax.

2.26 Events after the financial reporting date

Post year-end events up to the date the financial statements were authorized for issuance that provide additional information about the Association's position at financial reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements, when material.

NOTE 3 - CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements in conformity with PFRS requires the Association's management to make estimates, assumptions and judgments that affect the amounts reported in the financial statements.

The estimates and associated assumptions are based on historical experiences and other various factors that are believed to be reasonable under the circumstances including expectations of related future events, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates, assumptions and judgments are reviewed and evaluated on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Judgments

In the process of applying the accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements.

Determination of functional currency

The Association has determined that its functional currency is Philippine Peso. The determination of functional currency was based on the primary economic environment in which the Association generates and expends cash.

Classification of financial instruments

The Association classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the guidelines set by PAS 39 on the definitions of a financial asset, a financial liability or equity. In addition, the Association also determines and evaluates its intention and ability to keep the investments until its maturity date.

The substance of a financial instrument, rather than its legal form, and the management's intention and ability to hold the financial instrument to maturity generally governs its classification in the statement of financial position.

The classification of financial assets and liabilities is presented in Note 4.

Determination of fair value of financial instruments

The Association determines significant components of fair value measurement using verifiable objective evidence (i.e., foreign exchange rates, interest rates, and volatility rates), timing and the amount of changes in fair value would differ if the Association utilized a different valuation methodology. Any changes in fair value of these financial assets and financial liabilities would affect profit and loss and equity.

Fair value of financial assets and liabilities as at December 31, 2016 and 2015 amounted to P163,107,539 and P138,002,172 and P105,811,687 and P95,508,111 respectively, as disclosed in Note 4.

Estimates and assumptions

Estimation of useful lives of property and equipment

The Association reviews annually the estimated useful lives of property and equipment based on the period over which the assets are expected to be available for use. 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 property and equipment would increase recorded depreciation expense and decrease the related asset accounts. The estimated useful lives of property and equipment are discussed in Note 2.9 to the financial statements, which showed no changes in 2016 and 2015.

The Association has entered into leases with various lessors. Based on the evaluation of the terms and conditions of the arrangements, all the significant risks and benefits of ownership of the properties remain with the lessor. Accordingly, the Association accounted for the leases as operating leases.

Impairment of financial assets

The Association assesses impairment on financial assets whenever events or changes in circumstances indicate that the carrying amount of financial asset may not be recoverable. The determination of impairment losses for financial assets requires material estimates, including the amount and timing of expected recoverable future cash flows. These estimates may change significantly from time to time, depending on available information.

Management believes that the carrying amounts of financial assets approximate their recoverable amounts.

Impairment of non-financial assets

The Association assesses at the end of each reporting date whether there is an indication that the carrying amounts of all non-financial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Association makes an estimate of the asset's recoverable amount. At the end of each reporting date, the Association assesses whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

Management has reviewed the carrying values of the Association's non-financial assets as at December 31, 2016 and 2015 for impairment. Based on the management's assessment, there were no indications that the non-financial assets were impaired, thus no impairment loss was recognized for the years ended December 31, 2016 and 2015.

Estimation of liability for retirement benefits

The determination of the Association's obligation and cost of pension and other pension benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 2 and include, among others, discount rate and salary increase rate.

In accordance with PFRS, actual results that differ from the assumptions used are accumulated and amortized over future period and therefore, generally affect the recognized expense and recorded obligation in such future periods.

Based on the actuarial valuation, the pension liability amounted to P588,531 and P626,239 as at December 31, 2016 and 2015, respectively (Note 19).

NOTE 4 - FINANCIAL INSTRUMENTS

The following table sets forth the carrying value of financial instruments held by category:

	2016		2015	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial assets				
<i>Loans and receivables</i>				
Cash and cash equivalents (Note 6)	P56,953,300	P56,953,300	P43,960,526	P43,960,526
Receivables (Note 7)	3,828,671	3,828,671	2,747,379	2,747,379
Rental deposit (Note 13)	90,945	90,945	-	-
Other funds and deposit (Note 13)	162,461	162,461	-	-
<i>Available-for-sale financial assets (Note 9)</i>	15,393,796	15,393,796	15,615,901	15,615,901
<i>Held-to-maturity investments (Note 10)</i>	86,678,366	86,678,366	75,678,366	75,678,366
	<u>P163,107,539</u>	<u>P163,107,539</u>	<u>P138,002,172</u>	<u>P138,002,172</u>
Financial liabilities				
<i>Other financial liabilities:</i>				
Trade and other payables* (Note 14)	P941,909	P941,909	P327,991	P327,991
Liability on individual equity value (Note 15)	67,304,401	67,304,401	63,917,609	63,917,609
Aggregate reserve for trust liability - RF (Note 15)	36,130,189	36,130,189	30,066,165	30,066,165
Basic contingent benefit reserve (Note 15)	200,509	200,509	164,503	164,503
Optional benefit reserve (Note 15)	748,406	748,406	763,668	763,668
Claims payable on basic contingent benefit (Note 16)	486,273	486,273	268,175	268,175
	<u>P105,811,687</u>	<u>P105,811,687</u>	<u>P95,508,111</u>	<u>P95,510,152</u>

*except government liabilities

The carrying amounts of cash and cash equivalents, receivables, trade and other payables, liability on individual equity value, aggregate reserve for trust liability, basic contingent benefit reserve and claims payable on basic contingent benefit approximate its fair values due to the relatively short-term maturities of the financial instruments.

Items of income, expense, gains or losses recognized from financial instruments are as follows:

	2016	2015
Finance income (Notes 6 and 10)	P4,420,930	P4,102,617
Unrealized gain (loss) on change in fair value of Available-for-sale	(222,105)	436,759
	<u>P4,198,825</u>	<u>P4,539,376</u>

NOTE 5 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

General objectives, policies and processes

The BOT has overall responsibility for the determination of the Association's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Association's finance function. The BOT receives monthly reports from the Association's Finance Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the BOT is to set policies that seek to reduce risk as far as possible without unduly affecting the Association's competitiveness and flexibility.

Financial risk management objectives and policies

The Association is exposed to a variety of financial risks, which result from its operating, investing and financing activities. The Association's principal financial instruments comprise of Cash and cash equivalents, receivables, available-for-sale financial assets, held-to-maturity investments, liability on individual equity value, aggregate reserve for trust liability, basic contingent benefit reserve, optional benefit reserve, claims payable on basic contingent benefit and accrued and other payables. The main purpose of these financial instruments is to raise finance for the Association's operations. The Association has various other financial assets and liabilities which arise directly from operations.

Association policies and guidelines cover credit risk, market risk and liquidity risk. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Association's results and financial position. The Association actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principles.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The receivable balances are monitored on an ongoing basis with the result that the Association's exposure to impairment is not significant.

Member credit risk is managed by managing and analyzing the credit risk for each new member before standard payment and delivery terms and conditions are offered. Outstanding receivables are regularly monitored. The credit quality of the Association's financial assets that are neither past due nor impaired is considered to be good quality and expected to be collectible without incurring any credit losses.

Credit risk from balances with banks is managed by ensuring that the Association's deposit arrangements are with reputable and financially sound counterparties.

The Association's exposure to credit risk arises from default of other counterparties, with a maximum exposure equal to the carrying amounts as follows:

	2016	2015
Cash and cash equivalents* (Note 6)	P56,946,300	P43,953,526
Receivables (Note 7)	3,828,671	2,747,379
Other funds and deposit (Note 13)	162,461	-
Rental deposit (Note 13)	90,945	-
Available-for-sale financial assets (Note 9)	15,393,796	15,615,901
Held-to-maturity investments (Note 10)	86,678,366	75,678,366
	<u>P163,100,539</u>	<u>P137,995,172</u>

*excluding cash on hand

The following table provides an analysis of the age of the financial assets that are past due but not impaired and those financial assets that are individually determined to be impaired as at the end of the reporting period:

December 31, 2016							
	Total	Neither impaired nor past due Current	Past due but not yet impaired				Impaired
			1 to 60 days	61 to 90 days	91 to 120 days	More than 120 days	
Loans and receivables							
Cash and cash equivalents (Note 6)	P56,946,300	P56,946,300	P-	P-	P-	P-	P-
Receivables (Note 7)	3,828,671	P2,343,667	1,146,011	52,364	286,629	-	-
Rental deposit (Note 13)	90,945	90,945	-	-	-	-	-
Other funds and deposit (Note 13)	162,461	162,461	-	-	-	-	-
Available-for-sale financial assets (Note 9)	15,393,796	15,393,796	-	-	-	-	-
Held-to-maturity investments (Note 10)	86,678,366	86,678,366	-	-	-	-	-
	<u>P163,100,539</u>	<u>P161,615,535</u>	<u>P1,146,011</u>	<u>P52,364</u>	<u>P286,629</u>	<u>P-</u>	<u>P-</u>
December 31, 2015							
	Total	Neither impaired nor past due Current	Past due but not yet impaired				Impaired
			1 to 60 days	61 to 90 days	91 to 120 days	More than 120 days	
Loans and receivables							
Cash and cash equivalents (Note 6)	P43,953,526	P43,953,526	P-	P-	P-	P-	P-
Receivables (Note 7)	2,747,379	2,747,379	-	-	-	-	-
Available-for-sale financial assets (Note 9)	15,615,901	15,615,901	-	-	-	-	-
Held-to-maturity investments (Note 10)	75,678,366	75,678,366	-	-	-	-	-
	<u>P94,041,646</u>	<u>P94,041,646</u>	<u>P-</u>	<u>P-</u>	<u>P-</u>	<u>P-</u>	<u>P-</u>

The credit quality of the Association's financial assets is evaluated using internal credit rating. Financial assets are considered as high grade if the counter parties are not expected to default in settling their obligations, thus, credit risk exposure is minimal. These counter parties include banks, related parties and members who pay on or before due date.

Credit quality per class of financial assets

The Association's bases in grading its financial assets are as follows:

High grade - These are receivables which have a high probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security on the receivables are readily enforceable).

Standard - These are receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay but have been outstanding for a certain period of time.

Substandard - These are receivables that can be collected provided the Association makes persistent effort to collect them.

The table below shows the credit quality by class of financial assets (gross of allowance for credit losses) of the Association based on their historical experience with the corresponding third parties as of December 31, 2016 and 2015:

		2016					
		Neither Past Due nor Impaired			Past Due but		Total
		Standard	Substandard	Unrated	Not Impaired	Impaired	
High Grade	Grade	Grade					
Loans and receivables							
Cash and cash equivalents (Note 6)	P56,946,300	P-	P-	P-	P-	P-	P56,946,300
Receivables (Note 7)	P2,343,667	-	-	P-	1,485,004	P-	P3,828,671
Rental deposit (Note 13)	90,945	-	-	-	-	-	90,945
Other funds and deposit (Note 13)	162,461	-	-	-	-	-	162,461
Available-for-sale financial assets (Note 9)	15,393,796	-	-	-	-	-	15,393,796
Held-to-maturity investments (Note 10)	86,678,366	-	-	-	-	-	86,678,366
	P161,615,535	P-	P-	P-	P1,485,004	P-	P163,100,539
		2015					
		Neither Past Due nor Impaired			Past Due but Not		Total
		Standard	Substandard	Unrated	Impaired	Impaired	
High Grade	Grade	Grade					
Loans and receivables							
Cash and cash equivalents (Note 6)	P43,953,526	-	P-	P-	P-	P-	P43,953,526
Receivables (Note 7)	2,747,379	-	-	-	-	-	2,747,379
Available-for-sale financial assets (Note 9)	15,615,901	-	-	-	-	-	15,615,901
Held-to-maturity investments (Note 10)	75,678,366	-	-	-	-	-	75,678,366
	P94,041,646	P-	P-	P-	P-	P-	P94,041,646

Impairment assessment

Impairment losses are recognized based on the results of specific (individual) and collective assessment of credit exposures. Impairment has taken place when there is a presence of known difficulties in the payments of obligation by counterparties. This and other factors, either singly or in tandem with other factors, constitute observable events or data that meet the definition of objective evidence of impairment.

The Association applied specific (individual) assessment methodology in assessing and measuring impairment.

Specific (individual) assessment

The Association determines the allowances appropriate for each individually significant loan on an individual basis. Items considered when determining amounts of allowances include payment and collection history, timing of expected cash flows and realizable value of collateral, if any.

The Association sets criteria for specific loan impairment testing and uses the discounted cash flow method to compute for impairment loss. Accounts subjected to specific impairment and are found to be impaired shall be excluded from the collective impairment computation.

Liquidity risk

Liquidity risk refers to the risk that the Association will not be able to meet its financial obligations as these fall due and lack of funding to finance its growth and capital expenditures and working capital requirements.

The Association's approach to manage its liquidity profile are to ensure that adequate funding is available at all times; to meet commitments as these arise without incurring unnecessary costs; and to be able to access funding when needed.

The following summarizes the maturity profile of the Association's non-derivative financial liabilities based on contractual undiscounted payments.

	December 31, 2016				Total
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	
Trade and other payables (Note 14)	P941,909	P-	P-	P-	P941,909
Liability on individual equity value (Note 15)	3,922,456	-	-	-	3,922,456
Aggregate reserve for trust liability (Note 15)	6,854,684	-	-	-	6,854,684
Basic contingent benefit reserve (Note 15)	200,509	-	-	-	200,509
Optional benefit reserve (Note 15)	748,406	-	-	-	748,406
Claims payable on basic contingent benefit (Note 16)	486,273	-	-	-	486,273
	P10,154,237	P-	P-	P-	P10,154,237

	December 31, 2015				Total
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	
Trade and other payables (Note 14)	P327,991	P-	P-	P-	P327,991
Liability on individual equity value (Note 15)	4,154,143	-	-	-	4,154,143
Aggregate reserve for trust liability (Note 15)	6,285,854	-	-	-	6,285,854
Basic contingent benefit reserve (Note 15)	164,503	-	-	-	164,503
Optional benefit reserve (Note 15)	763,668	-	-	-	763,668
Claims payable on basic contingent benefit (Note 16)	268,175	-	-	-	268,175
	P11,964,334	P-	P-	P-	P11,964,334

Market risks

Market risk refers to the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Association's income or the value of its holdings of financial statements. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Association is subject to various market risks, including risks from changes in interest. There has been no change to the Association's exposure to market risks or the manner in which it manages and measures the risk.

Interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

Capital risk management

The primary objective of the Association's capital management is to ensure its ability to continue as a going concern and that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Association's BOT has the overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Association's external environment and the risks underlying the Association's business operations and industry.

The Association monitors capital on the basis of the debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is equivalent to total liabilities shown in the statement of financial position. Total equity comprises all components of equity including share capital and related earnings (deficit).

	2016	2015
Debt	P106,406,130	P96,136,391
Cash and cash equivalents (Note 6)	(56,953,300)	(43,960,526)
Net Debt	49,452,830	52,175,865
Equity	58,683,616	42,529,598
Net debt to equity ratio	1:0.84	1:1.23

There were no changes in the Association's approach to capital management during the year.

Margin of Solvency (MOS)

The Association is required to maintain at all times an MOS for life insurance business of P500,000 or P2.00 per thousand of the total amount of its insurance in force as of the preceding calendar year on all policies, except term insurance, whichever is higher.

The MOS shall be the excess of the value of its admitted assets (as defined under the IC Code), exclusive of its paid-up capital, over the amount of its liabilities, unearned premiums and reinsurance reserves. As at December 31, 2016 and 2015, the Association's MOS based on its calculations amounted to P147,704,483 and P125,165,141, respectively. The final amount of the MOS can be determined only after the accounts of the Association have been examined by the IC specifically as to admitted and non-admitted assets as defined under the same Code.

The surplus available for MOS for the Association follows:

	2016	2015
Admitted Assets	P162,488,805	P137,486,895
Admitted Liabilities	106,406,130	96,136,391
Net worth	P56,082,675	P41,350,504

As at December 31, 2016 and 2015, the estimated non-admitted assets of the Association's life operations, as defined under the Code, which are included in the accompanying statements of financial position follows:

	2016	2015
Software and system development	P1,219,366	P-
Receivables	559,976	588,893
Other current assets	340,429	173,275
Other noncurrent assets	253,406	-
Transportation equipment	134,899	283,290
Office furniture and fixture	92,865	130,484
Office improvement	-	3,152
Total non-admitted assets	P2,600,941	P1,179,094

If an insurance Association failed to meet the minimum required MOS, the IC is authorized to suspend or revoke all certificates of authority granted to such companies, its officers and agents, and no new business shall be done by and for such Association until its authority is restored by the IC.

Price risk

The Association's price risk exposure at year-end relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices, principally, AFS financial assets. Such investment securities are subject to the price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Association's investments are regulated under the pertinent provisions of Presidential Decree No. 612, otherwise known as The Insurance Code of the Philippines. The Insurance Code generally requires all insurance companies to obtain prior approval of the IC for any and all of their investments. It further requires companies to submit to the IC a monthly report on all investments made during the previous month. The IC reviews the investments and may suggest or require the immediate sale or disposal of investments deemed too risky.

For equity investments, Section 200 of the Insurance Code further provides, among other things that insurance companies may only invest in shares of Philippine corporations which have prior three-year dividend payment record. Moreover, the same section limits exposure to any one institution equal to 10% of an insurer's total admitted assets.

The following table shows the equity impact of reasonable possible change in the fair values of the Association's investments as of December 31, 2016 and 2015 (all other variables held constant), respectively.

	2016		2015	
	Volatility	Effect of Total Comprehensive Income	Volatility	Effect of Total Comprehensive Income
AFS financial assets	1%	11,314	1%	11,478
	-1%	(11,314)	-1%	(11,478)

Guaranty fund

As a mutual benefit association, the IC also requires the Association to possess a guaranty fund of P5.00 million. This minimum amount shall be maintained at all times and it must be increased by an amount equivalent to 5% of the Association's gross premium collections until the guaranty fund reaches 12.5% of the minimum paid up capital for domestic life insurance companies or P125.00 million. As at December 31, 2016 and 2015 the Association has a total of P19,975,538 and P18,060,420 representing guaranty fund which is deposited with the IC.

NOTE 6 - CASH AND CASH EQUIVALENTS

The account consists of:

	2016	2015
Cash on hand	P7,000	P7,000
Cash in banks	20,707,715	28,768,430
Cash equivalents	36,238,585	15,185,096
	<u>P56,953,300</u>	<u>P43,960,526</u>

Cash and cash equivalents earn interest at the prevailing bank deposit rates. Interest earned in 2016 and 2015 amounted to P130,606 and P97,787, respectively.

NOTE 7 - RECEIVABLES

The account consists of:

	2016	2015
Unremitted member's contribution dues and fees (Note 18)	P2,835,175	P1,757,953
Unremitted premiums (Note 18)	433,520	400,533
Due from officers and employees	44,452	50,075
Advances to employees	10,000	20,469
Receivable KDCI Inc.	2,681	29,287
Other receivables	502,843	489,062
	<u>P3,828,671</u>	<u>P2,747,379</u>

Unremitted members' contributions, dues and fees represents amount collected by partner individual/ institutions on membership certificates but not yet remitted as at the end of the financial reporting period.

Unremitted premium represents gross premiums collected by partner individuals/institutions on all optional policies but not yet remitted as at the end of the financial reporting period.

Other receivables represent accrued interest income on BLIP and CLIP.

Based on management's evaluation, the Association's receivables are fully collectible, thus, no allowance for impairment is necessary as at December 31, 2016 and 2015.

Management believes that the carrying amounts of receivables approximate its fair values.

NOTE 8 -OTHER CURRENT ASSETS

The account consists of:

	2016	2015
Unused supplies	P238,082	P93,094
Prepaid expenses	102,347	80,180
	<u>P340,429</u>	<u>P173,274</u>

NOTE 9 -AVAILABLE-FOR-SALE FINANCIAL ASSETS

The account consists of:

	No. of Shares	Acquisition Cost	Fair Value 2016
Petron preferred shares series 2A	8,000	P8,000,000	P8,360,000
Save and learned fixed income fund	2,348,914	5,000,000	5,180,765
Sun life prosperity GS fund	1,229,861	2,000,000	1,853,031
		<u>P15,000,000</u>	<u>P15,393,796</u>

	No. of Shares	Acquisition Cost	Fair Value 2015
Petron preferred shares series 2A	8,000	P8,000,000	P8,560,000
Save and learned fixed income fund	2,348,914	5,000,000	5,181,470
Sun life prosperity GS fund	1,229,861	2,000,000	1,874,431
		<u>P15,000,000</u>	<u>P15,615,901</u>

Unrealized gain (loss) recognized in the statement of comprehensive income in 2016 and 2015 amounted to (P222,105) and P436,759, respectively.

NOTE 10 -HELD-TO-MATURITY INVESTMENTS

The Account consists of:

	2016	2015
Government security	P66,178,366	P61,178,366
Corporate bond	20,500,000	14,500,000
	<u>P86,678,366</u>	<u>P75,678,366</u>

During the year, the Association acquired additional investments amounting to P11,000,000.

Interest earned in 2016 and 2015 amounted to P3,563,523 and P4,004,830, respectively.

NOTE 11 - ADVANCES TO CONTRACTOR

The amount of advances to contractor recognized amounted to P1,219,366 as at December 31, 2016. This pertains to the Association's payment to its contractor for their services to work on an information system for insurance management. The system will be delivered and will be fully operational in 2017.

NOTE 12 - PROPERTY AND EQUIPMENT, NET

The account consists of:

	Transportation equipment	Office improvements	Computer equipment	Office furniture and fixture	Total
Cost					
At January 1, 2015	P849,872	P37,829	P415,023	P299,816	P1,602,540
Additions during the year	-	-	48,720	123,479	172,199
At December 31, 2015	849,872	37,829	463,743	423,295	1,774,739
Additions during the year	27,750	-	197,095	37,063	261,908
Disposals during the year	-	-	(30,265)	-	(30,265)
At December 31, 2016	877,622	37,829	630,573	460,358	2,006,382
Accumulated depreciation					
At January 1, 2015	396,606	-	310,673	234,178	941,457
Depreciation during the year (Note 21)	169,974	34,677	79,454	58,634	342,739
At December 31, 2015	566,580	34,677	390,127	292,812	1,284,196
Depreciation during the year (Note 21)	176,141	3,152	73,620	74,682	327,595
Disposals during the year	-	-	(27,821)	-	(27,821)
At December 31, 2016	742,721	37,829	435,926	367,494	1,583,970
Net book value					
At December 31, 2016	P134,901	P-	P194,647	P92,864	P422,412
At December 31, 2015	P283,292	P3,152	P73,616	P130,483	P490,543

In 2016, the Association sold two of its computer equipments. Gain on sale recognized in the statements of comprehensive income amounted to P3,609.

There are neither restrictions on the title on the Association's property and equipment nor any of them are pledged as security for any of its liabilities.

The cost of fully depreciated assets still being used in the operation of the Association amounted to P37,829 and nil as at December 31, 2016 and 2015, respectively.

Based on management's assessment, there is no indication of impairment and the carrying amount of property and equipment can be recovered through continuous use in operations.

NOTE 13 - OTHER NONCURRENT ASSETS

The account consists of:

	2016	2015
Other funds and deposits	P162,461	P-
Rental deposit (Note 22)	90,945	-
	<u>P253,406</u>	<u>P-</u>

Other funds and deposits pertains to the Association's contribution under Microinsurance MBA Association of the Philippines.

NOTE 14 - TRADE AND OTHER PAYABLES

The account consists of:

	2016	2015
Accounts payable	P697,328	P233,116
Accrued expenses	244,581	94,875
Government dues	5,912	2,041
	<u>P947,821</u>	<u>P330,032</u>

Accounts payable pertains to collection fees.

Accrued expenses pertain to expenses incurred but not yet paid such as legal and professional fees, and operating cost incurred by the Association.

Other payables pertain to government dues and remittances. Government dues and remittances represent contributions of employees that will be remitted to various government agencies such as SSS, Philhealth and Pag-ibig. It also includes taxes withheld from salaries of employees and income payment to suppliers, which will be remitted in the subsequent month.

NOTE 15 - AGGREGATE RESERVES

The account consists of:

	2016	2015
Liability on individual equity value	P67,304,401	P63,917,609
Aggregate reserve for trust liability - Reserved Funds (RF)	36,130,189	30,066,165
Basic contingent benefit reserve	200,509	164,503
Optional benefit reserve	748,406	763,668
	<u>P104,383,505</u>	<u>P94,911,945</u>

	2016	2015
Breakdown:		
Current portion		
Liability on individual equity value	3,922,456	4,154,143
Aggregate reserve for trust liability - RF	6,854,684	6,285,854
Noncurrent portion		
Liability on individual equity value	63,381,945	59,763,466
Aggregate reserve for trust liability - RF	29,275,505	23,780,311

Liability on individual equity value represents the total amount of obligations set up by the Association on membership certificates pertaining to 50% equity value, as required under the Insurance Code, and any incremental amount declared by the Association.

Aggregate reserve for trust liability is weekly contribution of five pesos, which shall be credited to the fund for the account of the member. The calculations of the aggregate reserves are based on reasonable actuarial assumptions and are in accordance with generally accepted actuarial principles.

NOTE 16 - CLAIMS PAYABLE ON BASIC CONTINGENT BENEFIT

The account consists of incurred but not reported claims amounting to P486,273 and P268,175 as at December 31, 2016 and 2015, respectively.

NOTE 17 - FUND BALANCE

Fund balance refers to the residual interest in the assets of the Association after deducting all its liabilities. This represents the accumulated earnings of the MBA reduced by whatever losses the Association may incur during a certain accounting period.

	Restricted fund balance	Unrestricted fund balance	Total
Balance at January 1, 2015	P18,001,974	P16,970,938	P34,972,912
Movement during the year	2,302,434	5,254,252	7,556,686
Balance at December 31, 2015	P20,304,408	P22,225,190	P42,529,598
Movement during the year	2,672,629	13,481,389	16,154,018
Balance at December 31, 2016	P22,977,037	P35,706,579	P58,683,616

Restricted fund composed of guaranty fund and education and training fund. Education and training fund refers to the amount allocated by the Association for education and training of its members, officers and staff. Education and training fund includes the amount of payment to Kasagana-ka Development Center that represents collection fees.

A Mutual Benefit association shall only maintain free and unassigned surplus of not more than twenty percent (20%) of its total liabilities as verified by the Commissioner. Any amount in excess shall be returned to the members by way of dividends, enhancing the equity value or providing benefits in kind and other relevant services. In addition, subject to the approval of the Commissioner, a mutual benefit association may allocate a portion for capacity building and research and development such as developing new products and services, upgrading and improving operating system and equipment and continuing member education.

As at and for the years ended December 31, 2016 and 2015, the K-MBA's excess in Unrestricted Fund Balance from twenty percent (20%) of liabilities are as follows:

Unrestricted Fund Balance	Total liabilities	20% of Liabilities	Excess of Unrestricted Fund Balance from 20% of Liabilities
As at and for the year ended December 31, 2016			
P35,483,562	P106,388,386	P21,277,677	P14,205,885
As at and for the year ended December 31, 2015			
P21,858,528	P95,510,152	P19,102,030	P2,756,498

NOTE 18 - RELATED PARTY TRANSACTIONS

In the normal course of its business, the Association transacts with its related parties. These principally consist of collection of membership and premium contribution and non-interest bearing advances for certain expenses. Other transactions are based on terms agreed to by the parties.

Name of related party	Relationship	Nature of the related party transaction
Kasagana-ka Development Center (KDCI)	Microfinance partner	Funds Assigned for Member's Benefits (Fund Balance Account)

The following summarizes the Association's related party transactions:

<i>Unremitted Contribution Dues and Fees</i>		<i>Additions during the year</i>		<i>Payment / Collections</i>	
	2015				2016
Affiliate					
KDCI	P1,757,953	P32,630,610	P31,553,388		P2,835,175
Unremitted Premiums					
	2015	<i>Additions during the year</i>	<i>Payment / Collections</i>		2016
Affiliate					
KDCI	P400,533	P5,108,354	P5,075,367		P433,520

Details of the Association's related party transactions follow:

- The Association will collect from KDCI members' contributions on member certificates that will be remitted at the end of the financial reporting period.
- The Association will collect from KDCI gross premiums on all optional policies that will be remitted at the end of the financial reporting period.

The outstanding balances with related parties as at December 31 are as follows:

	2016	2015	Terms and conditions	Security	Nature of consideration to be provided upon settlement	Details of guarantees given or received	Impairment Loss
Unremitted Contribution Dues and Fees (Note 7)	P2,835,175	P1,757,953	Demandable	Unsecured	Cash	None	None
Unremitted Premiums (Note 7)	433,520	400,533	Demandable	Unsecured	Cash	None	None

NOTE 19 - RETIREMENT OBLIGATION

The Association has a noncontributory, defined benefit plan covering all its officers and regular employees. Retirement benefits expense recognized in the statement of comprehensive income is computed based on provision of PAS 19 (Amended). The principal actuarial assumptions used to determine the funding of the trust fund is accrued benefit actuarial cost method which take into account the factors of investment, mortality, disability, and salary projection rates.

In 2016, the Association engaged Asian Actuaries, Inc. to prepare an actuarial valuation of the Association's retirement liability. The actuarial report is dated March 21, 2017 covering valuation dates period January 1, 2016 to December 31, 2016. The effects of the valuation are shown below.

The amounts recognized in the statements of financial position are as follows:

	2016	2015
Present value of the obligation	P1,043,972	P919,927
Fair value of plan assets	(455,441)	(293,688)
Defined benefit obligation	P588,531	P626,239

The retirement benefit cost recognized in the statements of comprehensive income as follows (Note 21):

	2016	2015
Current service cost	P172,939	P107,902
Past service cost	-	53,344
Interest cost	28,109	23,975
	P201,048	P185,221

a. Reconciliation of defined benefit obligation

The movement in the defined benefit obligation is as follows:

	2016	2015
Present value of the obligation at January 1	P919,927	P474,403
Current service cost	172,939	107,902
Past service cost	-	53,344
Interest cost	47,310	23,975
Remeasurements in other comprehensive income		
Loss (gain) in defined benefit obligation from changes in financial assumptions	(16,052)	260,303
Gain in defined benefit obligation due to experience	(80,152)	-
	<u>124,045</u>	<u>445,524</u>
Present value of the obligation at December 31	<u>P1,043,972</u>	<u>P919,927</u>
Fair value of plan assets at January 1	<u>P293,688</u>	<u>P-</u>
Contributions paid	160,296	293,688
Expected return	19,201	-
Remeasurements in other comprehensive income		
Loss in defined benefit obligation due to experience	(17,744)	-
	<u>161,753</u>	<u>293,688</u>
Fair value of plan assets at December 31	<u>P455,441</u>	<u>P293,688</u>
Present value of the obligation, net at December 31	<u>P588,531</u>	<u>P626,239</u>

b. Remeasurements in other comprehensive income

Remeasurements in other comprehensive income represent actuarial gains and losses which are presented at net of related deferred tax as shown below:

	2016	2015
Actuarial gain (loss) recognized, net	<u>P78,460</u>	<u>(P260,303)</u>

c. Actuarial assumptions

The significant actuarial assumptions were as follows:

The principal assumptions used in determining pension liability of the Association are shown below:

	2016	2015
Discount rate	5.24%	5.14%
Expected rate of salary increases	5%	5%

NOTE 20 - REVENUE

The account consists of:

	2016	2015
Gross member's contribution	P32,004,443	P29,420,648
Gross premium	6,297,905	5,574,428
Membership fees	752,350	748,390
Miscellaneous income	715,866	371,207
	<u>P39,770,564</u>	<u>P36,114,673</u>

Miscellaneous income is composed of other income from K-Kalinga and income other than contribution, premiums and membership fees.

NOTE 21 - OPERATING EXPENSES

The account consists of:

	2016	2015
Salaries, wages and benefits	P3,157,936	P2,816,283
Representation and entertainment	664,280	594,797
Transportation and travel allowance	490,665	413,509
Meeting and conferences	471,949	199,547
Office supplies	369,353	365,453
Annual general assembly	329,233	-
Depreciation (Note 12)	327,595	342,739
Rental (Note 22)	325,799	-
Technical and professional fees	318,447	211,695
Professional and technical development	221,959	397,529
Retirement benefit cost (Note 19)	201,048	185,221
Marketing, advertising and promotions	199,598	79,445
Taxes, licenses and fees	162,976	207,658
Research and development	159,649	186,815
Monitoring	129,345	191,655
Social and community service	120,000	300,000
Repairs and maintenance	100,549	30,105
Utilities	98,441	74,557
Donations and contributions	34,000	4,000
Reinsurance premium	32,650	13,200
Insurance	25,119	3,966
Medicine	-	3,710
Bank and other charges	900	1,400
Miscellaneous	21,927	35,154
	<u>P7,963,418</u>	<u>P6,658,438</u>

NOTE 22 - LEASE AGREEMENT

The Association entered into two operating lease agreements for the lease of Units 501 and 504 for the period of two (2) years from February 1, 2016 to January 31, 2018 and from May 1, 2016 to April 30, 2018, respectively. Total monthly rentals of P30,315 for both units shall be paid on the first year of the lease agreement and shall increase to P33,346 on the second year.

Relative to the lease agreements, the Association paid security deposit amounting to P90,945 (Note 13).

Rent expense recognized in 2016 amounted to P325,799 (Note 21).

The future lease payments under the operating lease will be as follows:

	2016	2015
Not later than one year	P381,969	P-
Later than one year and not later than two years	89,523	-
	<u>P471,492</u>	<u>P-</u>

NOTE 23 - INCOME TAX EXEMPTION

The Association is exempted from income tax under Section 30 (c) of the National Internal Revenue Code as a non-stock association organized and operated exclusively for charitable and cultural purposes and no part of its net income or asset shall belong to or inure to the benefit of any member, organizer, officer or any specific person. Interest earned from the placement of Association funds are, however, subject to final tax. The interest income shown in the financial statement is net of final tax.

NOTE 24 - SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR)

A. REVENUE REGULATIONS (RR) NO. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010 which prescribes additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying the tax returns. Under the said RR, companies are required to disclose, in addition to the disclosures mandated under PFRS and such other standards and/or conventions that may heretofore be adopted, in the Notes to the Financial Statements, information on taxes, duties and license fees paid or accrued during the taxable year. In compliance with the requirements set forth by RR 15-2010 hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

1. The amount of VAT output tax declared during the year and the account title and amount/s upon which the same was based

The Association's revenues were not subject to Value Added Tax for years ended December 31, 2016 and 2015.

2. The amount of VAT Input taxes claimed

The Association's revenues were not subject to Value Added Tax for years ended December 31, 2016 and 2015.

3. The landed costs of imports and the amount of custom duties and tariff fees paid or accrued thereon

The Association did not have any importations in 2016 and 2015 that would require for the payment of customs duties and tariff fees.

4. The amount of excise taxes classified per major product category

The Association did not have any transactions in 2016 and 2015 which are subject to excise tax.

5. Documentary stamp tax (DST)

The Association did not have any transactions in 2016 and 2015 which are subject to documentary stamp tax.

6. Taxes and licenses

a. Local

Duties and taxes	P122,480
Business Permit	11,282
Others	29,214
	<hr/> P162,976

7. Withholding taxes

The amount of withholding taxes paid/accrued for the year amounted to:

a. Withholding tax on salaries

P276,605

8. Periods covered and amounts of deficiency tax assessments, whether protested or not

The Association has not yet received a final assessment notice from the Regional Office covering the taxable year December 31, 2016 amounting to NIL, inclusive of penalties, for deficiency income/VAT/Percentage/withholding tax, which has been protested/agreed upon.

Tax cases, and amounts involved, under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR

The Association has no RATE case under preliminary investigation of the Dept. of Justice (DOJ) involving deficiency income tax for taxable year 2016 amount to NIL.

B. REVENUE REGULATIONS NO. 19-2011

RR No. 19-2011 was issued on December 9, 2011 to prescribe the new BIR forms that will be used for Income Tax filing covering and starting with Calendar Year 2011, and to modify Revenue Memorandum Circular No. 57-2011. Pursuant to Section 244 in relation to Sections 6(H), 51(A)(1), and 51(A)(2) of the National Internal Revenue Code of 1997 (Tax Code), as amended, these Regulations prescribed to revise BIR Form Nos. 1700, 1701 and 1702 to reflect the changes in information requested from the said BIR Forms and to enable the said forms to be read by an Optical Character Reader. Under the Guidelines and Instructions of BIR Form No. 1702 - Page 4, the following schedules are prescribed under existing revenue issuances which must form part of the Notes to the Audited Financial Statements:

1. Revenue

	Exempt	Regular rate
Gross Member's Contribution	P32,004,443	P-
Gross Premium	6,297,905	-
Membership Fees	752,350	-
Miscellaneous Income	715,866	-
	<u>P39,770,564</u>	<u>-</u>

2. Benefit expense

	Exempt	Regular rate
Benefit/claims expenses - BLIP	P6,951,019	P-
Benefit/claims expenses - CLIP	1,390,000	-
Benefit/claims expenses - Equity value	3,648,112	-
Allocation for liability on individual equity	12,394,537	-
Increase/(decrease) in reserve for basic contingent fund	253,545	-
Increase/(decrease) in reserve for optional benefit	(15,262)	-
Increase/(decrease) in liability on individual equity	(8,995,303)	-
Increase/(decrease) in aggregate reserve for trust liability	657,867	-
Other expenses for members	866,724	-
Collection fees	1,109,150	-
Total benefit expense	<u>P18,260,389</u>	<u>P-</u>

The Association does not have expenses arising from revenue subject to regular rate tax.

3. Non-Operating and Taxable Other Income

The Association did not have any other income in 2016 and 2015 which are subject to tax.

4. Taxes and licenses

a. Local

Duties and taxes	P122,480
Business Permit	11,282
Others	29,214
	<u>P162,976</u>

5. Operating expenses

Salaries, wages and benefits	P3,157,936
Representation and entertainment	664,280
Transportation and travel allowance	490,665
Meeting and conferences	471,949
Office supplies	369,353
Annual general assembly	329,233
Depreciation	327,595
Rental	325,799
Technical and professional fees	318,447
Professional and technical development	221,959
Retirement benefit cost	201,048
Marketing, advertising and promotions	199,598
Taxes, licenses and fees	162,976
Research and development	159,649
Monitoring	129,345
Social and community service	120,000
Repairs and maintenance	100,549
Utilities	98,441
Donations and contributions	34,000
Reinsurance premium	32,650
Insurance	25,119
Medicine	-
Bank and other charges	900
Miscellaneous	21,927
	<hr/>
	P7,963,418



KASAGANA-KA
Mutual Benefit Association, Inc.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The management of Kasagana Ka Mutual Benefit Association, Inc. is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2016. 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. Furthermore, the 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 Value-Added Tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the management affirms that the attached audited financial statements for the year ended December 31, 2016 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Association, 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 has been reported as reconciling items and maintained in the Association's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances; and
- (c) the Association has filed all applicable tax 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.


ISABEL ILIW-ILIW
Chairman of the Board


ISABEL ILIW-ILIW
President

MARISSA LOYOLA
Treasurer

Signed this 10th day of April, 2017

For BIR Use Only BCS Item				1702-EX06/1SP1	
 Republika ng Pilipinas Kagawaran ng Pananalapi Kawalan 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 Income <small>Enter 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.</small>			BIR Form No. 1702-EX June 2013 Page 1
1 For <input checked="" type="checkbox"/> Calendar <input type="checkbox"/> Fiscal 2 Year Ended (MM/DD/YYYY) 12 / 20 16		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 Alphanumeric Tax Code (ATC) IC 011 Exempt Corporation on Exempt Activities <input checked="" type="checkbox"/> IC 021 General Professional Partnership <input type="checkbox"/>	
Part I - Background Information					
6 Taxpayer Identification Number (TIN) 2 4 6 - 2 2 0 - 3 5 1 - 0 0 0 0 7 RDO Code 0 2 8					
8 Date of Incorporation/Organization (MM/DD/YYYY) 0 6 / 2 9 / 2 0 0 6					
9 Registered Name (Enter only 1 letter per box using CAPITAL LETTERS) KASAGANA - KA MUTUAL BENEFIT ASSOCIATION INC					
10 Registered Address (Indicate complete registered address) # 5 DON FRANCISCO ST., DON ENRIQUE HEIGHTS COMMONWEALTH AVENUE, BGY. HOLY SPIRIT QUE					
11 Contact Number 9 9 0 7 - 9 1 5 12 Email Address kasaganaka.mba@gmail.com					
13 Main Line of Business MUTUAL BENEFIT 14 PSIC Code 9 1 9 9					
15 Method of Deduction Itemized Deductions (Sections 34 (A-J), NIRC)					
16 Legal Basis of Tax Relief/Exemption (Specify) IRC SEC 30 (C) 17 Investment Promotion Agency (IPA)/Government Agency INTERNAL REVENUE CODE					
18 Registered Activity/Program (Reg. No.) 9199 19 Effectivity Date of Tax Relief/Exemption From 0 1 / 0 1 / 2 0 1 6 To 1 2 / 3 1 / 2 0 1 6					
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 said Code. (If Authorized Representative, attach authorization letter and indicate TIN.)					
Signature over printed name of President/Principal Officer/Authorized Representative KARL M. ILIN-ILIN			Signature over printed name of Treasurer/Assistant Treasurer MARI SA A. LOYOLA		
Title of Signatory			Number of pages filed		
23 Community Tax Certificate (CTC) Number (REG. No.) C N 2 0 0 6 1 0 1 5 24 Date of Issue (MM/DD/YYYY) 0 6 / 2 9 / 2 0 0 6					
25 Place of Issue QUEZON CITY 26 Amount, I CTC 0					
Part III - Details of Payment					
Details of Payment		Drawn 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)					

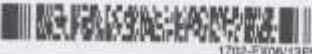
Annual Income Tax Return Page 2		BIR Form No. 1702-EX June 2013			
TIN		Registered Name			
2 4 8 2 2 0 3 5 1 0 0 0 0		KASAGANA-KA MUTUAL BENEFIT ASSOCIATI			
Part IV - Computation of Tax (Do NOT enter Centavos)					
31 Net Sales/Revenues/Receipts/Fees (From Schedule 1 Item 2)		39,770,564			
32 Less: Cost of Sales/Services (From Schedule 2 Item 37)		18,260,389			
33 Gross Income from Operation (Item 31 Less Item 32)		21,510,175			
34 Add: Other Taxable Income Not Subjected to Final Tax (From Schedule 3 Item 4)		0			
35 Total Gross Income (Sum of Items 33 & 34)		21,510,175			
Less: Deductions Allowable under Existing Law					
36 Ordinary Allowable Itemized Deductions (From Schedule 4 Item 45)		7,963,418			
37 Special Allowable Itemized Deductions (From Schedule 5 Item 5)		0			
38 Total Itemized Deductions (Sum of Items 36 & 37)		7,963,418			
39 Net Taxable Income (Item 35 Less Item 38)		13,546,757			
40 Income Tax Rate		0%			
41 Total Income Tax Due (Item 39 X Item 40) (To Part II Item 25)		0 0 0			
Part V - Tax Relief Availment					
42 Regular Income Tax Otherwise Due (50% of Part IV Item 39)		4,064,027			
43 Special Allowable Itemized Deductions (50% of Part IV Item 37)		0			
44 Total Tax Relief Availment (Sum of Items 42 & 43)		4,064,027			
Part VI - Information - External Auditor/Accredited Tax Agent					
45 Name of External Auditor/Accredited Tax Agent					
ROXAS CRUZ TAGLE AND CO.					
46 TIN		0 9 4 6 7 1 9 3 1 0 0 0			
47 Name of Signing Partner (If External Auditor is a Partnership)					
LETICIA C. TAGLE					
48 TIN		1 2 3 0 4 6 2 8 0 0 0 0			
49 BIR Accreditation No.		50 Issue Date (MM/DD/YYYY)		51 Expiry Date (MM/DD/YYYY)	
08 - 001682 - 006 - 2014		01 / 05 / 2015		01 / 04 / 2018	


Annual Income Tax Return		BIR Form No. 1702-EX June 2013	 1702-EX06/13PS
Page 3 - Schedules 1 & 2			
TIN 2 4 6 2 2 0 3 5 1 0 0 0		Registered Name KASAGANA-KA MUTUAL BENEFIT ASSOCIATI	
Schedule 1 - Sales/Revenues/Receipts/Fees (Attach additional sheets, if necessary)			
1 Sale of Goods/Properties		0	
2 Sale of Services		39,770,564	
3 Lease of Properties		0	
4 Total (Sum of Items 1 to 3)		39,770,564	
5 Less: Sales Returns, Allowances and Discounts		0	
6 Net Sales/Revenues/Receipts/Fees (Item 4 Less Item 5) (To Part IV Item 31)		39,770,564	
Schedule 2 - Cost of Sales (Attach additional sheets, 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		18,260,389	
25 Direct Charges - Others		0	
26 Total Cost of Services (Sum of Items 20 to 25) (To Schedule 2 Item 27)		18,260,389	
27 Total Cost of Sales/Services (Sum of Items 5, 19 & 26, if applicable) (To Part IV Item 32)		18,260,389	


Annual Income Tax Return Page 4 - Schedules 3 & 4		BIR Form No. 1702-EX June 2013	
TIN 2 4 6 2 2 0 3 5 1 0 0 0		Registered Name KASAGANA-KA MUTUAL BENEFIT ASSOCIATI	

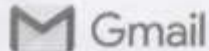
Schedule 3 - Other Taxable Income Not Subjected to Final Tax (Attach additional sheets, if necessary)	
1	0
2	0
3	0
4. Total Other Taxable Income Not Subjected to Final Tax (Sum of Items 1 to 3) (To Part IV item 3d)	0

Schedule 4 - Ordinary Allowable Itemized Deductions (Attach additional sheets, if necessary)	
1 Advertising and Promotions	199,598
Amortizations (Specify on Items 2, 3 & 4)	
2	0
3	0
4	0
5 Bad Debts	0
6 Charitable Contributions	154,000
7 Commissions	0
8 Communication, Light and Water	98,441
9 Depreciation	0
10 Depreciation	327,595
11 Director's Fees	0
12 Fringe Benefits	0
13 Fuel and Oil	0
14 Insurance	25,119
15 Interest	0
16 Janitorial and Messengerial Services	0
17 Losses	0
18 Management and Consultancy Fee	0
19 Miscellaneous	21,927
20 Office Supplies	369,353
21 Other Services	0
22 Professional Fees	318,447
23 Rental	325,799
24 Repairs and Maintenance -- (Labor or Labor & Materials)	0
25 Repairs and Maintenance -- (Materials/Supplies)	100,549
26 Representation and Entertainment	664,280
27 Research and Development	159,649
28 Royalties	0
29 Salaries and Allowances	3,157,936

Annual Income Tax Return Page 5 - Schedules 4, 5 & 6		BIR Form No. 1702-EX June 2013	
TIN		Registered Name	
2 4 6 2 2 0 3 5 1 0 0 0 0		KASAGANA-KA MUTUAL BENEFIT ASSOCIATI	
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 6 2 , 9 7 6
33 Tolling Fees			0
34 Training and Seminars			2 2 1 , 9 5 9
35 Transportation and Travel			4 9 0 , 6 6 5
Others (Specify below. Attach additional sheet/s if necessary)			
36 MEETINGS AND CONFERENCES			4 7 1 , 9 4 9
37 MONITORING			1 2 9 , 3 4 5
38 RETIREMENT BENEFIT COST			2 0 1 , 0 4 8
39 OTHERS			3 6 2 , 7 8 3
40 Total Ordinary Allowable Itemized Deductions (Sum of Items 1 to 39) (To Part IV Item 38)			7 , 9 6 3 , 4 1 8
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 sheets, if necessary)			
1 Net Income/(Loss) per books		1 7 , 9 6 7 , 6 8 7	
Add: Non-deductible Expenses/Taxable Other Income			
2		0	
3		0	
4 Total (Sum of Items 1 to 3)		1 7 , 9 6 7 , 6 8 7	
Less: A) Non-taxable Income and Income Subjected to Final Tax			
5 FINANCE INCOME		4 , 4 2 0 , 9 3 0	
6		0	
B) Special Deductions			
7		0	
8		0	
9 Total (Sum of Items 5 to 8)		4 , 4 2 0 , 9 3 0	
10 Net Taxable Income (Loss) (Item 4 Less Item 9)		1 3 , 5 4 6 , 7 5 7	

Annual Income Tax Return Page 6 - Schedules 7 & 8		BIR Form No. 1702-EX June 2013	
TIN 2 4 6 2 2 0 3 5 1 0 0 0 0		Registered Name KASAGANA-KA MUTUAL BENEFIT ASSOCIATI	
Schedule 7 - BALANCE SHEET			
Assets			
1 Current Assets	61,122,400		
2 Long-Term Investment	102,072,162		
3 Property, Plant and Equipment - Net	422,412		
4 Long-Term Receivables	0		
5 Intangible Assets	0		
6 Other Assets	1,472,772		
7 Total Assets (Sum of Items 1 to 6)	165,089,746		
Liabilities and Equity			
8 Current Liabilities	13,160,149		
9 Long-Term Liabilities	93,245,981		
10 Deferred Credits	0		
11 Other Liabilities	0		
12 Total Liabilities (Sum of Items 8 to 11)	106,406,130		
13 Capital Stock	0		
14 Additional Paid-in Capital	0		
15 Retained Earnings	58,683,616		
16 Total Equity (Sum of Items 13 to 15)	58,683,616		
17 Total Liabilities and Equity (Sum of Items 12 & 16)	165,089,746		
Schedule 8 - <input checked="" type="checkbox"/> Stockholders <input type="checkbox"/> Partners <input type="checkbox"/> 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
ISABEL M. ILIW-ILIW	2 4 0 9 9 6 3 6 1 0 0 0	1	1
JERLENE B. PEREZ	2 2 0 3 6 2 9 2 7 0 0 0	1	1
MARISSA A. LOYOLA	4 6 1 3 7 5 4 7 4 0 0 0	1	1
AILENE V. RAMOS	4 5 5 1 2 9 7 3 4 0 0 0	1	1
MARIVIC R. LOTERTE	4 5 5 7 0 5 0 9 6 0 0 0	1	1
ANITA L. MANUNDO	2 4 9 8 1 6 8 0 8 0 0 0	1	1
MA. TERESA G. BUCAD	1 3 7 1 4 7 5 9 2 0 0 0	1	1
ELIZABETH G. FUENTES	4 8 0 8 8 3 6 7 9 0 0 0	1	1
PERLA F. BATINGAL	1 2 0 5 8 6 6 3 9 0 0 0	1	1
		0	
		0	
		0	
		0	
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		0	
		0	
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		0	
		0	
		0	
		0	
		0	
		0	

Annual Income Tax Return Page 7 - Schedules 9 & 10		BIR Form No. 1702-EX June 2013	 1702-EX09/13P7
TIN 2 4 6 2 2 0 3 5 1 0 0 0 0		Registered Name KASAGANA-KA MUTUAL BENEFIT ASSOCIATI	
Schedule 9- Supplemental Information (Attach additional sheets, if necessary)			
A) Gross Income/Receipts Subjected to Final Withholding	A) Exempt	B) Actual Amount/Fair Market Value/Net Capital Gains	C) Final Tax Withheld/Paid
1 Interest	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/OCT/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, 8A, 9D, 13A, 13B, 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	



KASAGANA-KA MBA <kasaganaka.mba@gmail.com>

Tax Return Receipt Confirmation

ebirforms-noreply@bir.gov.ph <ebirforms-noreply@bir.gov.ph>
To: kasaganaka.mba@gmail.com

Mon, Apr 17, 2017 at 8:16 AM

This confirms receipt of your submission with the following details subject to validation by BIR:
File name: 246220351000-1702EX-1216.xml
Date received by BIR: 17 April 2017
Time received by BIR: 08:06 AM
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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