CLIMBS

SINCE 1971

CLIMBS Life & General Insurance Cooperative

"The Grassroots Insurance"

Resilient Cooperativism Amidst Climate Change

44th Annual General Assembly

Radisson Blu Cebu
April 29-30, 2016
Mabolo, Cebu City

Annual Report 2015

VISION - MISSION STATEMENT

Core Purpose

- CLIMBS pursue the economic upliftment of its members nationwide, through insurance
- We were born to provide affordable insurance for the many small people in the grassroots countryside, the marginalized poor and the not-so-poor, through their cooperatives. We are reaching out to areas which big insurance firms are not inclined to visit.
- The insurance protection we provide is meant to be multi-fold in aspects: life, non-life, pre-need, etc.
- Through grassroots insurance, we were also envisioned to make the financial investments suited to our members' needs and the cooperative movement.

Core Values

We subscribe to the cooperative values and principles espoused by Raiffeisen & Rochdale
But we have certain values we pay careful attention to:

- service excellence, while reserving for growth
- risk management, especially on members' monies
- environmental protection, amidst climate change
- fairness, transparency, accountability in our governance.

We are particularly sensitive to the fact that our member-investors are also our member- markets.
And we adjudge accordingly.

Goals

- As the leading cooperative insurance firm in the country, we are going international, into emerging markets of Asia.
- As the grassroots insurance leader, we seek not only a broader servicing of cooperative members, but also the coverage of NGOs, MFIs, and other people-based development groups.
- As a financial institution, we shall become a group of companies, in partnership with cooperatives, into diverse investments, financial packaging, and community-impact projects.
- As a federation, we are advocating the further development of cooperative thought and the upgrading of management across the entire cooperative movement.
- We will show the country that cooperativism is the best way to generate people-based economic upliftment.

These goals are what make CLIMBS different.

About the Cover

The bamboo is a symbol of resiliency as it is pliant and versatile. Thus, it can readily represent the resilient Filipino character. The interlinked hands of the members of a family crossing a river midstream on top of the giant boulders in the picture likewise represents cooperators who join hands symbolizing unity and cooperation; enhancing the spirit of cooperativism amidst the challenge of climate change that is likewise depicted by the gradation of the color of the vegetation and the color of the water of the river being crossed by the family.

Contents

HALL OF FAMER

Judge Esperanza Fiel-Garcia (Ret.)

Chairperson of CLIMBS Life and General Insurance Cooperative from 2005 to February 1, 2016. Chairman of the Cebu CFI, and VICTO.

An icon of exemplary leadership, simplicity and humility, who founded, nurtured, anchored and steered with unswerving effort and dedication the Cebu CFI Community Cooperative that she founded with Justice Francisco Tantuico which started as a credit union with only 200 pesos to a 10.5-billion peso-nation-wide multi-awarded cooperative with over 94,000 members now on its 46 years of relentless service to its members.

A sought after speaker of various organizations such as Asian Institute of Management, the Integrated Bar of the Philippines (IBP) and VICTO to name only a few.

Bestowed awards from several organizations as follows:

- **Baul Awards as Model Filipino** – given on January 16, 2000 from Filipino Foundations for her lifelong work initiating one of the most successful cooperatives in the country;
- **Tony Martin Leadership Award** – given on April 29, 2001 from VICTO as an outstanding volunteer leader in the VICTO Network who has demonstrated exemplary performance for enhancing the promotion of cooperativism and fostering the ideals of freedom, justice and nationalism.
- **Esperanza Award** – from the Federacion International De Abogadas (FIDA) for championing the cause of women, children and the family awarded on November 16, 2001.
- **Summit Award** – for her vision, strength of character commitment to the development of the coop movement, promotion of the coop cause; outstanding leadership as chairman of Cebu CFI Community Cooperative, CLIMBS and other coop organizations; for her dedicated stewardship of CLIMBS during its transition from a mutual benefit association to a full-fledged insurance company, as well as her resoluteness to see to it that CLIMBS will become a viable and relevant insurance enterprise. The said award was given on April 25, 2008 during CLIMBS' 30th General Assembly at the Cebu Capitol Social Hall of the Provincial Capitol, Cebu City.
- **Chairperson Award** – for her dedication and leadership as Chairperson of CLASP from 2005 to 2006 & CLIMBS during the 42nd Annual General Assembly of CLIMBS Life and General Insurance Cooperative at the Casino Español de Cebu on the 24th of April 2014.
- **Bigay Pugay Award** – given by the Philippine Cooperative Center (PCC) on October 16, 2014 during the 12th Cooperative Summit for her contributions to the cooperative movement.

As a professional civil servant she spent 30 years: as Labor Attorney and as Clerk of Court (1969-1983 of the Department of Labor and as a Regional Trial Court Judge (1983-1993) from where she earned and garnered awards from the Integrated Bar of the Philippines (IBP), Mandaue City Lawyers Association, Inc., Carolinians, Inc., and a special commendation as one of the Best Trial Court Judges in the Philippines from Chief Justice Andres Narvasa of the Supreme Court of the Philippines.

A legal luminary, prolific writer and genteel lady with ready and winsome smiles whose compassionate heart was benevolently concerned for those who have less in life. She took great delight in the beauties of nature, flowers, music and even played the piano ala virtuoso.

The wife loved beyond measure of Hon. Pabling Garcia, devoted mother to eight treasured children, a doting grandmother, a dear sister, cherished friend, generous benefactor, an honored civil servant, a revered icon of the civil society, a pillar of the cooperative movement and a pious woman of God.

Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
1071 United Nations Avenue
Manila

MESSAGE of the COMMISSIONER
44th CLIMBS General Assembly

My warmest greetings to the **Climbs Life and General Insurance Cooperative** on its 44th General Assembly. It is a privilege to congratulate each and every one of you as your company continues to be strong and resilient amidst the changing times after more than four decades of dedicated service.

CLIMBS's dedication to the insuring public, particularly in reaching out and promoting financial inclusion through the grassroots levels, had truly gone a long way. Being one of the most progressive players in the insurance and cooperative market, it has endured numerous challenges as presented by the climate change, and has remained undeterred despite the difficulties it encounters, which is a testament to your company's determination to help the people in the countryside. Indeed, your significant role to promote the best interest of the low income cooperative members who are more affected by the climate change, and for having established a harmonious working relationship with the Insurance Commission over the years in advocating insurance protection are truly praiseworthy and nothing short of remarkable. Do not be complacent though; continue to work hard in exerting greater efforts to reach out to millions of Filipinos who still need your services. Microinsurance is not charity. Let us instill honor, respect and confidence to those who have less in life.

I have no doubt that if this progressive trend continues, the men and women of CLIMBS will enjoy more fruitful and bountiful years ahead. Keep on thinking, forewarned and forearmed, to meet the challenges of the present times. All being well, may you continue to proposer and grow for many years to come.

Congratulations and more power!

Very truly yours,

EMMANUEL F. DOOC
Insurance Commissioner

Message

Warm greetings to CLIMBS Life and General Insurance Cooperative as you hold your 44th CLIMBS General Assembly.

Cooperatives dream of building a more humane society that upholds the dignity of human beings. The essence of cooperativism goes beyond financial. It is a social vehicle of social transformation to democratize wealth and power based on principle of social justice.

As the number one Insurance Cooperative in the country, CLIMBS indubitably holds a key role in the drive of the Cooperative Development Authority (CDA) for the cooperative movement to contribute to rapid inclusive and sustainable economic growth; empower the poor and vulnerable for poverty alleviation; just and lasting peace and the rule of law; good governance; and help address climate change and concerns for the environment and sustainable development.

We at the CDA were inspired by the teachings of Pope Francis, especially on his critique of the dominant economic system which he describes as one that "promoted exclusion and inequality", and "economy that kills". As well as His Holiness' encyclical the Laudato Si by taking his challenge for us "to protect our common home includes a concern to bring the whole human family together to seek a sustainable and integral development, for we know that things can change".

Taking center-stage is the formulation of the Cooperative Roadmap which will guide the CDA and the cooperatives during my term as Chairman. The CDA Roadmap, in gist, is founded on the Agency's re-affirmation of its Constitutional mandate "to promote the viability and growth of cooperatives as instruments of equity, social justice and economic development..." (Section 15, Article XII of the Constitution).

With this faith, the cooperatives will be able to scale the heights of cooperativism so that it can be indeed an instrument of social justice, equity and sustainable development. With this faith, the cooperatives will be able to democratize wealth and power.

Again, congratulations to the men and women of the CLIMBS Life and General Insurance Cooperative!

ORLANDO R. RAVANERA
Chairman

Chairperson's Message

CHAIRMAN GILBERT S LLANTO'S MESSAGE FOR CLIMBS ANNUAL REPORT 2015
Theme: Resilient Cooperativism amidst Climate Change

Fellow co-owners of CLIMBS,

In year 2015, we took CLIMBS to greater heights, thanks to the unwavering support and synergy among our cooperators and partners. We were able to sustain our growth and deliver exceptional results in both operational and financial performances.

As we move forward, our sights are on making CLIMBS a cooperative more capable of delivering quality insurance services to members, and more resilient to risks from both the business arena and climate change. We will transform CLIMBS into a composite insurance cooperative of excellence in 'scale,' 'quality,' and 'reputation' as we move closer to realizing our vision and fulfilling our mission.

In the coming years, our Cooperative will have to face greater expectations from our member-clients for the quality of our products and services. We will pursue growth strategies that will strengthen both our business and our organization to sustain our growth momentum. To grow our business, we will expand our services to new and previously under-served markets. We will intensify our engagements with existing members by providing better opportunities for capital build-up and new product and service offerings. We will execute plans and programs guided by our strategic cornerstones: efficiency of operations; intensified capital build-up program for members; diversified and integrated services; and, capacity-building through structural enhancement; human resource development; and, systems upgrade.

We also believe that by acting responsibly, we can create sustainable value for all our stakeholders. In the coming years, we will see CLIMBS at the forefront of the people's action against climate change. Likewise, we will take our social responsibilities further to benefit more people in the countryside and underserved sectors of the society.

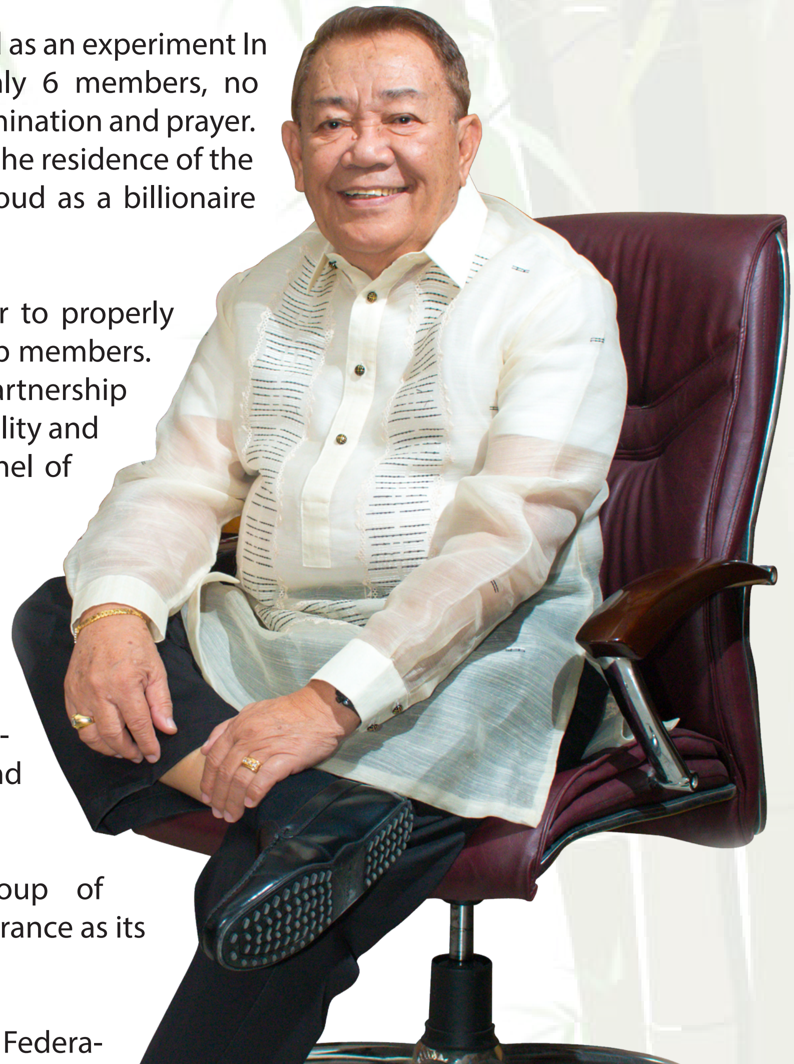
What we have achieved in the recent years would have never happened without the visionary leadership and committed service of our predecessors. I would like to dedicate the success we've had to the late Judge Esperanza F. Garcia, whose visionary leadership has been instrumental in the sustained growth of our Cooperative.

Together we are stronger and better. With your continued patronage and support, I am very confident that CLIMBS will be resilient amidst all challenges and soaring to greater heights.

Congratulations to our 44th General Assembly! Mabuhay ang CLIMBS!

MGEN GILBERT S LLANTO (Ret)
Chairperson

President's Message



CLIMBS has gone a long way from where it started as an experiment In Mutual Protection for coop members. With only 6 members, no assets, or grants but armed only with sheer determination and prayer. It started to operate in 1971 with its first office at the residence of the founder: Atty. Mordino Cua. Today, we stand proud as a billionaire coop insurance.

CLIMBS likewise underwent reinvention in order to properly respond and be relevant to the needs of the coop members. Hence, it embarked into the Coop Assurance partnership with the primary coops to enhance coop profitability and entrepreneurship: that acts as distribution channel of insurance product and services to members.

We are the only composite (Life and Non-Life) insurance cooperative insurance in the Philippines owned by more than 2000 cooperatives. As such, CLIMBS has become the Grassroots Insurance in the country advocating a well-integrated coop insurance system for Life, Non-Life and Health.

CLIMBS further metamorphosed into a group of Coop-business with CLIMBS Life and General Insurance as its Flagship and established subsidiaries.

A Pre-need, Real Estate company and a Business Federation (Holding Company) to start in 2016 – 2020. We give due credit and recognition to the all-out support to our leaders, Board of Directors, Committees, Management and staff, and of course, to our Stakeholders.

More importantly, we continue to thank God for giving us all the blessing in order to achieve all these.

Mabuhay ang CLIMBS!

Fermin L. Gonzales
President and CEO

BOARD OF DIRECTORS

Judge Esperanza F. Garcia (Ret.)
Chairperson (2005 - February 1, 2016)
Cebu CFI Community Cooperative

MGen. Gilbert S. Llanto (Ret.)
Chairperson (February 2, 2016 - Present)
ACDI Multi-Purpose Cooperative

Mr. Mansueto V. Dela Peña
Vice Chairperson (February 2, 2016 - Present)
Oro Integrated Cooperative

Judge Antonio A. Alcantara (Ret.)
PHCCI Dumaguete

Dr. Eufemio L. Calio
MSU IIT National MPC

Mr. Isidro L. Baldonado
Sta. Catalina Credit Cooperative

Ms. Norma R. Pereyras
Tagum Cooperative

Ms. Elvira S. Dandan
San Dionisio Credit Cooperative

Ms. Wilma P. Salas
Maripipi Multi-Purpose Cooperative

Ms. Alma R. Jaranilla
Cebu CFI Community Cooperative

INDEPENDENT DIRECTORS

Ms. Lillian D. Silubrico
Holy Cross Credit and Savings Cooperative

Mr. Napoleon E. Sentillas, Sr.
Guadalupe Community Multi-Purpose Cooperative

ELECTION COMMITTEE

(From Left to Right)
Ms. Luzviminda L. Espita, Mr. Romulo G. Amarado & Ms. Gloria P. Dagatan, RGC

AUDIT COMMITTEE

(From Left to Right)
Ms. Nenita R. Malbas, CPA, Mr. Juanito P. Rosini, PhD & Ms. Doris B. Calapiz, CPA

ETHICS COMMITTEE

(From Left to Right)
Atty. Peter B. Panis & Mr. Dominador C. Dizo

MEDIATION AND CONCILIATION COMMITTEE

(From Left to Right)
Mr. Venchito L. Bullecer & Ms. Gloria S. Gaviola

SECRETARY

Atty. Rolando C. Casaway
Corporate Secretary
Tagum Cooperative

Ms. Blesilda Lagang-Cumba
BOD Recording Secretary

EXECUTIVE MANAGEMENT TEAM

Mr. Fermin L. Gonzales
President & CEO

Mr. Jorge G. Lumasag, Jr.
EVP & CFO

Ms. Admarie D. Marcelo, CPA
VP & COO

Mr. Noel D. Raboy, MBAex
VP & CMO

Mr. Raul M. Pregon
VP for Sales

Mr. Antonio R. Dosdos
AVP for Sales

Mr. Danilo B. Dollera
Life Division Manager

Mr. Ulysses P. Zulueta
Non-Life Division Manager
& Chief Underwriter

Mr. Henry M. Lopez
CLIFSA General Manager

To Our Esteemed Owners:

Another fruitful year has gone by and blessed us with undertakings that bring us to greater and meaningful engagements.

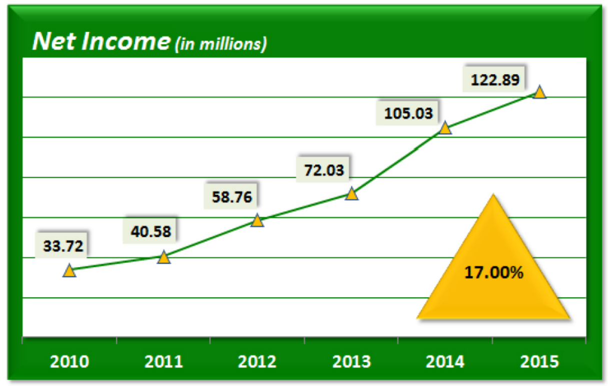
We pay homage to our Hall of Famer Chairperson from 2005 to February 1, 2016, Judge Esperanza Fiel-Garcia (Ret). We will miss her presence and significant contributions. One of them is the gracious provision of the lacking capital amount of 20 million pesos in 2008 by Cebu CFI Community Cooperative to meet the mandated capital requirement of 50 million pesos for an insurance cooperative.

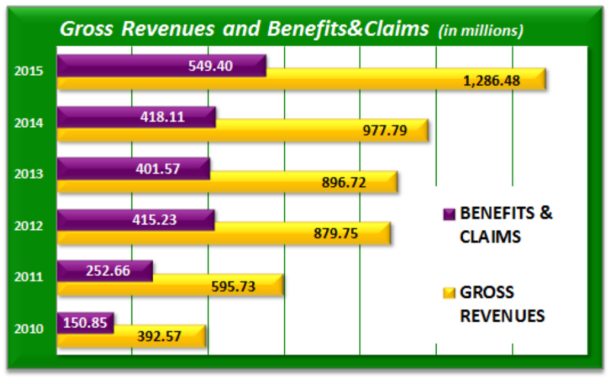
Positive financial indicators continued in 2015 with improvements in key ratios year over year.

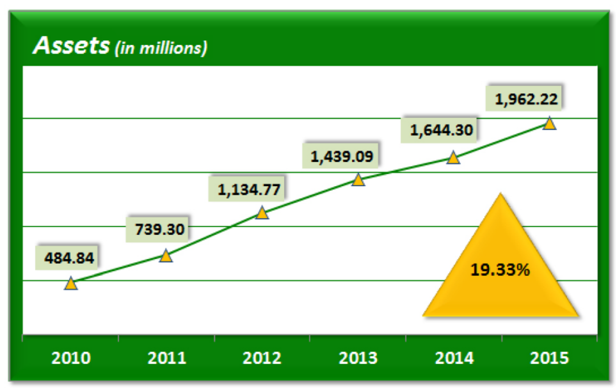
- Despite market volatility, our 2015 ended with increased **17%** net income to 122.89 million pesos from 105.03 million pesos in 2014.
- Gross Revenues increased **31.57%** to 1.28 billion pesos compared to 977.79 million pesos last year.
- Gross benefits and claims increased **31.40%** to 549.40 million pesos compared against 418.11 million pesos of last year.
- Assets increased **19.33%** to 1.96 billion pesos from 1.64 billion pesos in 2014.
- Net Worth increased **16.58%** to nearly 1.03 billion pesos from last year's 882.95 million pesos.

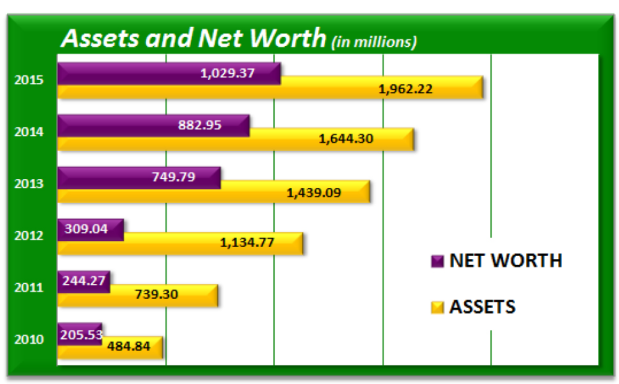
In 2015, we focused on achieving our cooperative's strategic goals. In particular, we worked to: ensure a safe, sound and healthy cooperative; optimize asset effectiveness; align and cultivate a well-trained and motivated staff; and increase net cash flow.

At a glance:





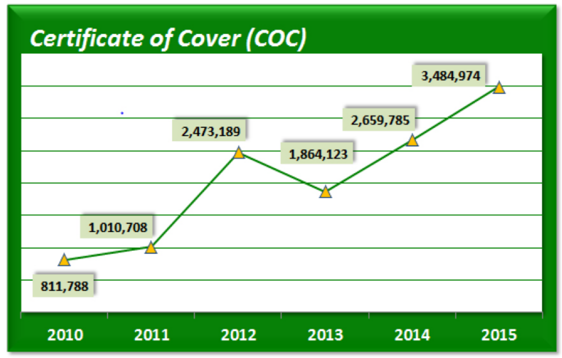


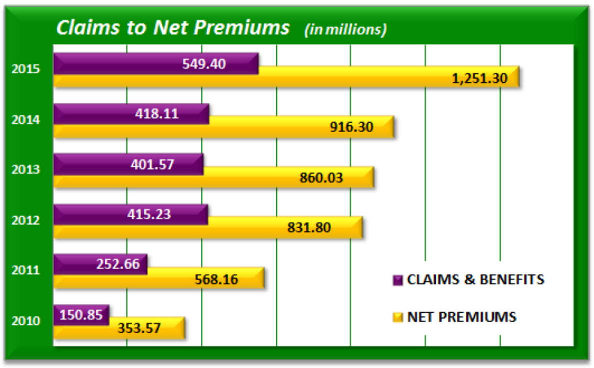


Business Performance

Confirmation of Coverage

Total Life confirmation of coverage (COC) registered an increased 36.56% to 3,484,974 individuals with net premiums of 1.107 billion pesos. Non-Life premiums amounted to 300 million pesos covering 23,941 issued policies.





Net Premiums and Claims

- Net premiums increased 36.56% to 1.251 billion pesos from last year's 916.30 million pesos.
- Claims paid increased 31.40% to 549.40 million pesos compared to last year's paid claims of 418.11 million pesos.

Key Financial Highlights

	2015		2014		2013		2012		2011		2010	
Assets	**1,962.22**	100%	**1,644.30**	100%	**1,439.09**	100%	**1,134.77**	100%	**739.30**	100%	**484.84**	100%
Cash	530.86	27.05%	380.54	23.14%	339.16	23.60%	357.24	31.50%	205.05	27.70%	185.06	38.20%
Investments	1,119.12	57.03%	1,087.59	66.14%	909.82	63.20%	649.39	57.20%	444.48	60.10%	237.18	48.90%
Insurance Receivables	62.93	3.21%	30.84	1.88%	51.68	3.60%	18.37	1.60%	19.79	2.70%	5.43	1.10%
Property & Equipment	90.54	4.61%	84.20	5.12%	70.80	4.90%	86.72	7.60%	47.98	6.50%	38.12	7.90%
Legal Reserves	**465.32**	23.71%	**376.93**	22.92%	**331.75**	23.10%	**416.17**	36.70%	**279.05**	37.70%	**160.92**	33.20%
Net Worth	**1,029.37**	52.46%	**882.95**	53.70%	**749.79**	52.10%	**309.04**	27.20%	**244.27**	33.00%	**205.53**	42.40%
Net Premium	**1,251.30**	100%	**916.30**	100%	**860.03**	100%	**831.80**	100%	**568.16**	100%	**353.57**	100%
Investment / Other Inc	35.18	2.81%	61.49	6.71%	36.68	4.30%	47.95	5.80%	27.57	4.80%	39.00	11.00%
Gross Revenue	**1,286.48**	102.81%	**977.79**	106.71%	**896.72**	104.30%	**879.75**	105.80%	**595.73**	104.80%	**392.57**	111.00%
Claims	**549.40**	43.91%	**418.11**	45.63%	**401.57**	46.70%	**415.23**	49.90%	**252.66**	44.50%	**150.85**	42.70%
Policy Reserves	101.22	8.09%	94.99	10.37%	113.90	13.20%	116.61	14.00%	106.03	18.70%	65.16	18.40%
Commission	374.13	29.90%	245.17	26.76%	223.22	26.00%	208.08	25.00%	134.88	23.70%	97.33	27.50%
Salaries / Benefits	53.69	4.29%	40.84	4.46%	30.44	3.50%	25.22	3.00%	23.82	4.20%	15.42	4.40%
Other Expenses	85.15	6.80%	73.65	8.04%	55.57	6.50%	55.85	6.70%	37.76	6.60%	30.07	8.50%
Total Expenses	**1,163.60**	92.99%	**872.76**	95.25%	**824.68**	95.90%	**820.99**	98.70%	**555.16**	97.70%	**358.84**	101.50%
Net Income	**122.89**	9.82%	**105.03**	11.46%	**72.03**	8.40%	**58.76**	7.10%	**40.58**	7.10%	**33.72**	9.50%

	2015	2014	2013	2012	2011	2010
BOOK VALUE						
Number of Common Shares	**500,976**	339,149	245,568	178,889	140,149	119,718
(with par value of P1,000 per share)						
Total Equity - Net of Preferred Shares	**885,984,067**	790,521,526	688,880,951	235,973,852	718,890,040	144,374,340
Book Value Per Shares (BVPS)	**1,769**	2,331	2,691	1,319	1,276	1,206
DIVIDEND						
Dividend Per Share (DPS)	**110**	100	100	91	89	83
Dividend Rate	**11.00%**	10.00%	10.00%	9.13%	8.92%	8.29%

Updates

Governance, Strength and Soundness

CLIMBS exercises fairness, transparency and accountability in its governance through Annual Report and General Assembly, Quarterly Board Meeting, Annual Budget Review, Strategic Planning, External Audit of its Financial Statements and, Continuous Professional Education of its officers and employees. In order to manage the inherent risk and minimize the impact of insurance claims, we turn around and reinsure policies to dependable reinsurance providers.

Property Acquisitions

Four adjoining lots measuring a total of 4,228 square-meters owned by the heirs of Mabalos and a property owned by Waga along Pabayo-JR Borja Streets in Cagayan de Oro City are the latest additions to the roster of CLIMBS-owned properties.

Asset and Fund Management

Embarking on affordable asset and fund management is made possible through the establishment of the CLIMBS Investment Management & Advisory Corporation (CIMAC) and the CLIMBS Share Capital Equity Investment Corporation (CSCEIC). Two established names in the industry are consultants to the said venture: Mr. Marvin V. Fausto and Mr. Efren Ll. Cruz, RFP.

Human Resources Development

To stave off the weariness and stress of the work grind; a fitness and wellness program has been established and on-going for all CLIMBS' personnel to take in as well as imbibe positive energies.

To beef up corporate image, CLIMBS hired a human resource consultant in the person of Atty. Juanita R. Gueco to undertake two engagements Job Evaluation and Performance Management System.

Job Evaluation which entails job levelling for existing positions in the organization focusing only on the responsibilities of the positions held. The Performance Management System is an evaluation system focusing on the targets and competencies of personnel. Managers and department heads were trained on goal-setting, coaching and objective performance evaluation so that they each could properly give feedback to their respective subordinates' performance.

CLIMBS and Productivity Olympics

On June 30, 2015, the Region X Tripartite and Productivity Board declared CLIMBS a regional winner for the medium category of the 2015 Productivity Olympics.

The award is based on these criteria: Business Excellence under which are Productivity, Expansion and Growth, Awards and Recognition; and Resource Management which is composed of People and Systems, attesting CLIMBS' corporate values.

CDA-Accredited Training Provider Certificate


CDA CTPRO 209
Republic of the Philippines
Office of the President
Cooperative Development Authority
Presents this
CERTIFICATE OF ACCREDITATION
to
CLIMBS Life and General Insurance Cooperative
Upper Zone 5, Brgy. Bulua, Cagayan de Oro City
for having satisfactorily complied with the qualifications and requirements as COOPERATIVE TRAINING PROVIDER pursuant to Section 4 of CDA Memorandum Circular No. 2011-01 approved on February 22, 2011.
This certificate is valid for one (1) year from the date of issuance unless sooner revoked or cancelled pursuant to Section 10 of the above Circular.
Issued this 23rd day February 2016 at Quezon City.
Valid from February 23, 2016 to February 22, 2017.
ORLANDO R. RAVANERA
Chairman
Initial Accreditation

As a rising leader in cooperative insurance, we kept pace with an evolving industry by proactively addressing emerging risks and by enhancing the insurance and financial literacy of the officers and staff of our owner-cooperatives through **CLIMBS Institute of Financial Literacy (CIFL)**.

CLIMBS Sales Express

A time and cost-efficient mode of encouraging more coops to join, avail and be updated of CLIMBS' variety of products and services was organized by VP Sales Raul M. Pregon using the social media. Our coop members and staff are kept posted via this FB account: CLIMBS Sales Express which hosts announcements such as business fora, orientations, sales training and planning, Coop Assurance fora, Fast Start trainings and other event advisories needed to reach participants.

Coop Assurance Center (CAC)

Your very own coop assurance continues to be the center-piece of our marketing strategy as originally conceptualized by our President and CEO Mr. Fermin L. Gonzales. Insurance activities and products vary from coop to coop depending on their members' need and preference.

Fast Start, CAC and 'Over the Counter Products'

The term Fast Start was coined by Antonio Dosdos, AVP Sales Non-Life. It was created primarily to engage entrepreneurial individuals, particularly coop members who hope to enjoy personal freedom in plotting financial objectives and working hours. Fast Start is an effective model to fire-up the required selling techniques ensuring sales transactions and premium delivery.

Sales and Marketing Study Tour to NTUC Income Centre, Singapore on June 24, 2015

As part of our sales and marketing team's continuing education, VP & Chief Marketing Officer Noel D. Raboy, MBAex and CLIFSA General Manager Henry M. Lopez led a select sales and marketing team for a study visit at NTUC Income, Singapore on June 24, 2015.

IIAP Partnership Recognition

The Insurance Institute for Asia and the Pacific (IIAP) recognized CLIMBS as one of its top partners in 2015. We engaged IIAP as education provider for our in-house management training program and insurance courses. IIAP also provided for our Technical Non-Life Insurance Courses in which four (4) employees were recognized as top-notch graduates on January 27, 2016 namely: Louie R. Jopson-1st Rank in Intermediate Fire Insurance, Eric R. Clamonte-2nd Rank in Advanced Motor Insurance, and, Joy Fe L. Cabiso-1st Rank with Erlwin C. Mijares-3rd Rank for Basic Non-Life Insurance.

Taken during IIAP's Awarding Ceremony with (from left to right): Joy Fe L. Cabiso/CLIMBS Non-Life Cashier, IIAP Chairman Melecio C. Mallillin, CLIMBS CEO & President Fermin L. Gonzales, Erlwin C. Mijares/CLIMBS RI Head & Statistician, Insurance Commissioner Hon. Atty. Emmanuel F. Dooc, CLIMBS VP & COO Admarie D. Marcelo CPA, Louie R. Jopson/CLIMBS Non-Life Underwriter and Eric R. Clamonte/CLIMBS Non-Life Visayas Area Sales Manager.

Attendance to the International Cooperative and Mutual Insurance Federation (ICMIF) Biennial Conference: October 2015 in Minneapolis, USA

CLIMBS Chairperson MGen Gilbert S. Llanto (Ret) spoke on the theme: *What Difference Does Being A Cooperative Mutual Fund Make?* during the Biennial's 3rd day session. Accompanying MGen Llanto (Ret) as delegates to the ICMIF Biennial Conference in Minneapolis, USA on October 6 to 9 were: Directors Mansueto V. Dela Pena (Vice Chairperson) and Judge Antonio A. Alcantara (Ret), Admarie D. Marcelo, CPA (VP & COO) and Noel D. Raboy, MBAex (VP & CMO). The theme of the Biennial 2015 was *More than insurance: Creating real value for the future of our world*.

We thank you for this opportunity to share with you the highlights and experiences of 2015 that continue to make CLIMBS your better choice in your assurance needs.

Thank you for trusting us.

FERMIN L. GONZALES
President and CEO

MGen. GILBERT S. LLANTO (Ret)
Chairperson, Board of Directors

ASIAN
ACTUARIES
INC.

STATEMENT OF OPINION

I, Panfilo P de la Paz, consulting actuary of CLIMBS, express the opinion that, based on the data supplied to me by the Accounting and IT Departments of CLIMBS, the legal certificate/policy reserves and claim reserves of the Cooperative as of 31 December 2015 amounting to

P **383,715,135.55** (individual/group life insurance contracts)
P **8,224,498.94** (MAS plan)
P **204,807,854.02** (claims reserve liability)

are adequate and accurate. The calculations of the legal certificate/policy reserves are based on reasonable actuarial assumptions and are in accordance with generally accepted actuarial principles.

PANFILO P DE LA PAZ, FASP, FSA
Consulting Actuary
PTR No 3941

18 March 2016

11/F VGP Center (formerly ManilaBank Bldg.) Ayala Ave. Makati City
Tel:810-1058 & 752-0963 Fax: 810-1058 E-mail: panfilodelapaz@yahoo.com

ANNEX "A"

A. Assets

1. Net life insurance premiums and annuity considerations due and uncollected	**5,712,975.94**
2. Accident and health premiums due and uncollected	**Nil**

B. Liabilities

1. Aggregate reserve for life policies and contracts	**383,715,135.55**
2. Aggregate reserve for accident and health policies	**Nil**
3. Supplementary contracts without life contingencies	**Nil**

4. Policy and contract claims	
4.1 Due and unpaid	**98,014,252.97**
4.2 In course of settlement:	
4.2.1 Resisted	**17,350,693.23**
4.2.2 Others	**Nil**
4.3 Incurred but not unreported (less reinsurance)	**89,442,907.82**
4.4 Total (Gross)	**204,807,854.02**
4.5 Add: Reinsurance assumed on reported claims	**Nil**
4.6 Less: Reinsurance ceded on reported claims	**Nil**
4.7 Net Liability	**204,807,854.02**

5. Provision for policyholders' dividends and experience refund payable in following calendar year – estimated amount **Nil**

6. Amount provisionally held for deferred dividend policies not included in Item 5 **Nil**

7. Policy and contract liabilities not included elsewhere:
7.1 Surrender values on cancelled policies **Nil**

8. "Cost of collection" on premiums and annuity considerations uncollected in excess of total loading thereon **Nil**

9. Aggregate equity value reserves for MAS Plan **8,224,498.94**

C. Net deferred premium **Nil**

D. All other accounts, if any, as may have to be certified to by the Actuary. Nil

* all figures are in Philippine Pesos

CLIMBS
2015 Valuation Results

ASIAN
ACTUARIES
INC.

STATEMENT OF OPINION

As regards MAS certificate loans, I, **Panfilo P de la Paz**, Consulting Actuary of CLIMBS, based on the data supplied to me by their Accounting and IT departments, to the best of my knowledge and belief, after conducting such tests as I have deemed necessary, expresses the opinion that:

1. the certificate loan balances (contribution and equity loans) as of 31 December 2015 amounting to **2,073,773.56** bear reasonable relationship with the corresponding member equity values; and

2. for the certificates with loan balances, appropriate reserves have been set up, on a basis consistent with prior years and generally accepted actuarial principles.

The tests consisted of matching the certificate loans' files with the in-force file on a random basis. Similarly, the individual certificate loan balances were matched with the certificate's equity values.

PANFILO P DE LA PAZ, FASP, FSA
Consulting Actuary
PTR No 3941

18 March 2016

11/F VGP Center (formerly ManilaBank Bldg.) Ayala Ave. Makati City
Tel:810-1058 & 752-0963 Fax: 810-1058 E-mail: panfilodelapaz@yahoo.com

Statement of Management's Responsibility For Financial Statements

The management of **CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE AND ITS SUBSIDIARY** is responsible for all information and representations contained in the financial statements for the years ended December 31, 2015 and 2014 in accordance with prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

The Board of Directors and the Audit Committee reviews the financial statements before such statements are approved and submitted to the Members of the Insurance Cooperative and its subsidiary.

Alba Romeo & Co., and Quilab Cabilin Bato & Co., the independent auditors appointed by the Board of Directors for the years ended December 31, 2015 and 2014, respectively, have examined the financial statements of the Insurance Cooperative in accordance with Philippine Standards on Auditing and has expressed their opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors.

FERMIN L. GONZALES
President and CEO

JORGE G. LUMASAG, JR.
Executive Vice President /CFO

REYNALDO G. SAN ANDRES
Compliance Officer

BDO ALBA ROMEO & CO., CPAs
Audit | Tax | Consulting

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INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE AND ITS SUBSIDIARY
Zone 5, Upper Bulua, National Highway, Cagayan de Oro City

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE AND ITS SUBSIDIARY (THE GROUP)**, which comprise the consolidated statement of financial position as at December 31, 2015, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standard (PFRS), 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedure to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **CLIMBS LIFE AND GENERAL INSURANE COOPERATIVE AND ITS SUBSIDIARY (THE GROUP)** as at December 31, 2015 and of its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

Other matters

The consolidated financial statements of **CLIMBS Life and General Insurance Cooperative and its Subsidiary (the Group)** as at and for the year ended December 31, 2014 were audited by another auditor whose report dated April 9, 2015 expressed an unqualified opinion.

The consolidated financial statements are prepared for the Group and for all of its members/stakeholders. As a result, these may not be suitable for another purpose and should not be distributed to any governmental regulatory agencies or to be used by parties other than the Group and its members/stakeholders. In this regard, another financial statements for the Parent and Subsidiary Cooperatives will be prepared/issued for distribution to any governmental regulatory agencies and use by other parties.

March 29, 2016
Makati City, Metro Manila

CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE AND ITS SUBSIDIARY
(THE GROUP)
CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
December 31, 2015
(With Comparative Figures for 2014)

(In Philippine Peso)

	Notes	2015	2014
ASSETS			
CASH AND CASH EQUIVALENTS	4	**530,858,138**	380,536,463
INSURANCE RECEIVABLES	5	**62,929,996**	30,841,756
FINANCIAL ASSETS			
Held to maturity	6	**659,426,141**	706,500,247
Available-for-sale (AFS) financial assets	7	**459,699,933**	381,091,976
Loans and receivable	8	**36,720,989**	9,967,119
INVESTMENT PROPERTY - net	9	**104,904,508**	40,948,203
PROPERTY AND EQUIPMENT - net	10	**90,541,500**	84,200,014
OTHER ASSETS	11	**17,143,532**	10,219,811
TOTAL ASSETS		**1,962,224,737**	1,644,305,589
LIABILITIES AND MEMBERS' EQUITY			
INSURANCE CONTRACT LIABILITIES	12	**465,316,677**	376,931,597
INSURANCE PAYABLES	12	**220,069,267**	204,707,092
TRADE AND OTHER PAYABLES	13	**173,739,293**	116,700,007
INTEREST ON CAPITAL, EXPERIENCE AND PATRONAGE REFUND PAYABLE	1	**73,731,433**	63,019,943
Total Liabilities		**932,856,670**	761,358,639
MEMBERS' EQUITY			
SHARE CAPITAL		**644,360,818**	424,826,664
STATUTORY RESERVES	15	**116,747,898**	93,422,350
SURPLUS RESERVES		**270,839,393**	363,753,009
UNREALIZED GAIN (LOSS)		**(2,580,042)**	944,927
Total Member's Equity		**1,029,368,067**	882,946,950
TOTAL LIABILITIES AND MEMBERS' EQUITY		**1,962,224,737**	1,644,305,589

(The notes on pages 5 to 56 are an integral part of these financial statements.)

CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE AND ITS SUBSIDIARY
(THE GROUP)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2015
(With Comparative Figures for 2014)

	Notes	2015	2014
REVENUE			
Gross premiums on insurance contracts		**1,317,686,448**	965,823,614
Less: Reinsurers' share of gross premiums on insurance contracts		**66,382,813**	49,522,101
Net insurance premiums		**1,251,303,635**	916,301,513
Other income			
Investment and interest income	4,6	**28,667,484**	56,013,139
Commission earned and other underwriting income		**2,375,345**	2,128,005
Miscellaneous		**4,137,805**	3,346,015
		35,180,634	61,487,159
Total revenue		**1,286,484,269**	977,788,672
BENEFITS AND OPERATING EXPENSES			
Net benefits and claims paid on insurance contracts		**549,403,745**	418,113,845
Increase in legal policy reserves		**101,221,681**	94,988,034
Net insurance benefits and claims		**650,625,426**	513,101,879
Collection costs		**374,133,236**	245,173,830
General and administrative	17	**67,659,275**	61,682,166
Salaries, wages, officers' and employees' benefits	18	**53,693,489**	40,838,713
Depreciation	9,10	**17,487,121**	11,958,845
		512,973,121	359,653,554
Total benefits and operating expenses		**1,163,598,547**	872,755,433
NET SURPLUS FOR DISTRIBUTION		**122,885,722**	105,033,239
OTHER COMPREHENSIVE INCOME		-	-
Unrealized gain (loss) on AFS investment		**(3,356,295)**	944,927
Actuarial gain on retirement fund payable		**776,253**	-
		(2,580,042)	944,927
NET SURPLUS		**120,305,680**	105,978,166
NET SURPLUS DISTRIBUTION	1		
General reserve fund		**12,288,572**	10,503,324
Cooperative education and training fund		**12,288,572**	10,503,324
Community development fund		**3,686,572**	3,150,997
Optional fund		**8,602,001**	7,352,327
Surplus reserve fund		**12,288,572**	10,503,324
Interest on share capital, experience and patronage refund		**73,731,433**	63,019,943
Total distribution		**122,885,722**	105,033,239

(The notes on pages 5 to 56 are an integral part of these financial statements.)

CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE AND ITS SUBSIDIARY
(THE GROUP)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2015
(With Comparative Figures for 2014)

(*In Philippine Peso*)

	Notes	2015	2014
SHARE CAPITAL	14		
Preferred Shares - PhP 1,000 Par Value			
Opening balances		**90,996,000**	80,906,000
Additional investments received during the year		**52,388,000**	10,090,000
Closing balances		**143,384,000**	90,996,000
Common Shares - PhP 1,000 Par Value			
Opening balances		**339,148,000**	248,568,000
Additional investments received during the year		**167,146,000**	90,580,000
Closing balances		**506,294,000**	339,148,000
Deposit for future subscriptions		**784**	630
Treasury stocks		**(5,317,966)**	(5,317,966)
Total Share Capital		**644,360,818**	424,826,664
STATUTORY RESERVES	15		
General reserve fund			
Balance, January 1		**40,913,637**	30,410,313
Distributions during the year		**12,288,572**	10,503,324
Balance, December 31		**53,202,209**	40,913,637
Cooperative education and training fund			
Balance, January 1		**15,539,711**	11,143,877
Distributions during the year		**12,288,572**	10,503,324
Net transactions during the year		**(13,223,871)**	(6,107,490)
Balance, December 31		**14,604,412**	15,539,711
Land and building			
Balance, January 1		**29,903,534**	22,551,207
Distributions during the year		**8,602,001**	7,352,327
Balance, December 31		**38,505,535**	29,903,534
Community development fund			
Balance, January 1		**7,065,468**	4,398,510.00
Distributions during the year		**3,686,572**	3,150,997
Net transactions during the year		**(316,298)**	(484,039)
Balance, December 31		**10,435,742**	7,065,468
Total Statutory Reserves		**116,747,898**	93,422,350
SURPLUS RESERVES			
Balance, January 1		**363,753,009**	353,249,685
Distributions during the year		**12,288,572**	10,503,324
Net transactions during the year		**(105,202,188)**	-
Balance, December 31		**270,839,393**	363,753,009
OTHER COMPREHENSIVE INCOME		**(2,580,042)**	944,927
		1,029,368,067	882,946,950

(The notes on pages 5 to 56 are an integral part of these financial statements.)

CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE AND ITS SUBSIDIARY
(THE GROUP)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015
(With Comparative Figures for 2014)

(In Philippine Peso)

	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Net surplus		**122,885,722**	105,033,239
Adjustments for:			
Depreciation		**17,487,122**	11,958,845
Provision for retirement benefits		**1,333,615**	1,199,497
Investments and interest income earned		**(28,667,484)**	(56,013,139)
Operating income before working capital changes		**113,038,975**	62,178,442
Decrease (increase) in current assets:			
Insurance receivables		**(32,088,240)**	20,835,489
Loans and receivables		**(26,753,870)**	6,267,637
Other assets		**(8,257,336)**	(1,326,785)
Increase (decrease) in current liabilities:			
Insurance contract liabilities		**88,385,080**	45,182,911
Insurance payables		**22,289,711**	(38,883,195)
Trade and other payables		**50,888,003**	45,960,167
Net cash generated from operating activities		**207,502,323**	140,214,666
CASH FLOWS FROM FINANCING ACTIVITIES			
Additional share capital subscriptions - net of withdrawals		**219,534,154**	95,351,656
Increase (decrease) in statutory reserves		**(13,540,169)**	24,918,443
Increase (decrease) in surplus reserves		**(105,202,188)**	12,889,900
Payment of interest on share capital and patronage refund		**(63,019,943)**	(85,234,137)
Net cash provided by financing activities		**37,771,854**	47,925,862
CASH FLOWS FROM INVESTING ACTIVITIES			
Income earned from investments		**28,667,484**	56,013,139
Increase (decrease) in:			
Held-to-maturity investments		**47,074,106**	8,990,131
Available-for-sale financial assets		**(82,909,179)**	(186,758,229)
Proceeds from disposal of property		**651,138**	-
Additions to property and equipment	10	**(22,731,849)**	(1,420,841)
Additions to investment property	9	**(65,704,202)**	(23,585,747)
Net cash used in investing activity		**(94,952,502)**	(146,761,547)
NET INCREASE IN CASH		**150,321,675**	41,378,981
CASH AND CASH EQUIVALENTS, JANUARY 1	4	**380,536,463**	339,157,482
CASH AND CASH EQUIVALENTS, DECEMBER 31	4	**530,858,138**	380,536,463

(The notes on pages 5 to 56 are an integral part of these financial statements.)

CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE AND ITS SUBSIDIARY
(THE GROUP)
NOTES TO CONSOLIDATED FINANCIAL STATEMENT
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2015
(With comparative figures for 2014)

NOTE 1 – COOPERATIVE INFORMATION/ TAX EXEMPTION

I. COOPERATIVE INFORMATION

The Parent Cooperative

The **CLIMBS Life and General Insurance Cooperative** (Parent Cooperative) is a national federation of cooperatives incorporated as a stock cooperative. It was registered with the Cooperative Development Authority (CDA) on March 17, 2004, and obtained license to operate as an insurance company from the Insurance Commission (IC) on April 28, 2004. Pursuant to CDA Memorandum Circular No. 2010-05, Series of 2010, the Parent Cooperative complied with the mandatory filing for the registration of amendment in accordance with provisions of Republic Act (R.A.) No. 9520, an Act Amending the Cooperative Code of the Philippines to be known as “Philippine Cooperative Code of 2008”, obtaining therein its new Registration No. 9520-10008741 on March 1, 2010.

The Parent Cooperative is engaged in the business of life, non-life, and mutual benefit services, offering its members and beneficiaries the following products: (1) Cooperative Life Savings Plan, (2) Cooperative Loan Protection Plan (CLPP), (3) Group Renewal Term Life (GRTL), (4) Group Family Plan (GFP), (5) Group Accident, Death, Dismemberment, Disablement Insurance (GADDI), (6) Group Life and Accident with Fire Insurance (GLAFI), (7) Group Accidental Death, Disablement & Dismemberment Indemnity and Funeral Service Assistance, (8) Member Year Renewable Accident and Life, and (9) Permanent Plan (5 Pay Life, 5 Pay Life- 15 years endowment, 10 Pay Life- 15 years endowment). The Parent Cooperative also offers individual life insurances as well as underwrites non-life insurance contracts for all risks, hazards and contingencies to which marine, fire, motor care and other casually insurances and suretyship as are applicable.

The Parent Cooperative maintains Head Office at CLIMBS Building, Zone 5, Upper Bulua, National Highway, Cagayan de Oro City. It maintains area offices all over the Philippines.

Granting of Composite Insurance License

On October 23, 2007, the CDA approved the amendments to the primary purposes of CLIMBS, paving the way for its engagement in non-life assurance business as a Composite Insurance Company. The amendment effectively authorized the Cooperative to underwrite non-life insurance contracts for all risks, hazards, and contingencies to which marine, fire, motor car and other casualty insurances and suretyship as are applicable, subject to the granting of secondary license from the IC.

On April 21, 2010, the IC granted the Cooperative’s Composite Insurance License authorizing the Cooperative to operate as a life and general insurance company. In the same year, the Cooperative commenced its non-life division. The secondary license is renewable every 3 years and its current license will expire by December 31, 2018.

The Subsidiary Cooperative

The Coop Life General Insurance and Financial Services Agency (CLIFSA) (the Subsidiary Cooperative) is a secondary cooperative that is licensed by the IC as General Agency, a wholly-owned subsidiary of the Parent Cooperative.

The Subsidiary Cooperative is the distribution channel of the Parent Cooperative offering a complete line of financial services through forged strategic business alliance with Alpha Insurance, Malayan Insurance Charter, Ping-An Insurance, Stronghold Insurance, and Paramount Life and General Insurance, non-life insurance companies operating nationwide. It is widening the market scope of the Parent Cooperative by bridging the gap between the cooperative members, other marginalized sectors and their families and the access to customized low-cost social service packages in life and non-life insurance, funeral/memorial services and hospitalization plans. The major product lines of the Parent Cooperative are being marketed and sold by the Subsidiary Cooperative to its clients.

The Subsidiary Cooperative was registered with CDA on April 27, 2010, and with the Insurance Commission on July 1, 2010 with Registration No. N312693-0. Pursuant to CDA Memorandum Circular No. 2010-05, Series of 2010, the Subsidiary Cooperative complied with the mandatory filing for the registration of amendment in accordance with the provision of R.A. No. 9520, known as the "Philippine Cooperative Code of 2008", obtaining therein its new Registration No. 9520-10017273 on September 30, 2010.

The Subsidiary Cooperative holds office in the Fourth Floor, CLIMBS Building, Pacana- Tiano Streets, Cagayan de Oro City.

Distribution of Net Surplus

As provided for in its By-Laws, the Parent and Subsidiary Cooperative's net surplus is defined and distributed in the following manner:

- An amount of the reserve fund, which shall be at least ten per centum (10%) of the net surplus;
- An amount for the education and training fund, which shall not be more than ten per centum (10%) of net surplus;
- An optional fund, a land and building, community development, and any other necessary fund the total of which may not exceed seven per centum (7%);
- Community development fund (CDF) at least three per centum (3%) of the net surplus; and
- The remaining net surplus shall be made available to the members in the form of interest on share capital and patronage refund computed in accordance with Republic Act (RA) 9520.

Accordingly, the net surplus in 2015 and 2014 were distributed as follows:

	2015	**%**	2014	%
General reserve fund	**12,288,572**	**10%**	10,503,324	10%
Cooperative education and training fund	**12,288,572**	**10%**	10,503,324	10%
Community development fund	**3,686,572**	**3%**	3,150,997	3%
Optional fund	**8,602,001**	**7%**	7,325,327	7%
Surplus reserve fund	**12,288,572**	**10%**	10,503,324	10%
Interest on share capital, experience and patronage refund	**73,731,433**	**60%**	63,019,943	60%
	122,885,722	**100%**	105,006,239	100%

II. TAX EXEMPTION

As a Cooperative transacting with members only, the Parent and Subsidiary Cooperative (the Group) are entitled to the following tax exemptions and incentives provided for under Article 60 of Republic Act (RA) No. 9520, as implemented by Section 7 of the Joint Rules and Regulations Implementing Articles 60, 61 and 144 of RA No. 9520:

- Income tax on income from CDA-registered operations;
- Value-Added Tax (VAT) on CDA-registered sales or transactions;
- Other percentage tax;
- Donor's tax on donations to duly accredited charitable, research and educational institutions and reinvestment to socio-economic projects within the area of operation of the cooperative;
- Excise tax for which it is directly liable;
- Documentary stamp tax: Provided, however, that the other party of the taxable document/transaction who is not exempt shall be the one directly liable for the tax;
- Annual registration fee of ₱ 500 under section 236 (B) of the Tax Code of 1997; and
- All taxes on transactions with insurance companies and banks, including but not limited to 20% final tax on interest deposits and 7.5% final tax on interest income derived from a depository bank under the expanded foreign currency deposit system.

The Group has already complied with the documentary requirements for the application of the renewal of certificate of tax exemption (CTE) within the prescribed period under the Joint Rules and Regulations Implementing Articles 60, 61 and 144 of RA No. 9520. However, as at March 29, 2016, the CTE had not yet been issued by the BIR.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the financial statement is summarized below. These policies have been applied in the years presented, unless otherwise stated.

Statement of compliance

The financial statement of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS), except for items presented and discussed below which are allowed to Cooperatives registered with the CDA, taking into consideration cooperative laws, principles and practices. Management believes that the financial statement prepared under such basis, present fairly the Group's financial position, financial performance and cash flows.

- Financial statements titles, Philippine Accounting Standards (PAS) 1 *Presentation of Financial Statements*

  As provided under PAS 1, an entity may use titles other than those used in PAS 1. As required under the Standard Chart of Accounts (SCA) for all cooperatives which was issued by the CDA under Memorandum Circular (MC) 2009-04, the complete set of financial statement of a cooperative includes the following components:

  a) **Statement of Financial Condition** shows assets, liabilities, and equity accounts of a business entity as of a given date. Equity accounts for a cooperative include members' share capital, donations and/or grants, and statutory funds.

  b) **Statement of Operations (Income Statement)** presents revenues, costs and expenses, gains and losses and net surplus or net loss. The items presented are recognized in the books using modified accrual basis of accounting. Expenses are classified according to their function as part of cost of sales/services rendered, distribution or administrative activities. In a cooperative the difference between revenues and expenses is called net surplus that is allocated in accordance with the Cooperative Code or the cooperative's by-laws.

  c) **Statement of Changes in Equity** shows separately the changes in members' equity, donations and grants and statutory funds. Transactions affecting these accounts include members' capital build-up, refund of share capital due to membership withdrawal, acceptance of donations and grants in cash or in kind and subsequent utilization, allocation of net surplus to and utilization of statutory funds.

  d) **Cash Flows Statement** is a formal statement summarizing all the cash activities of the cooperatives. These include their operating, investing and financing activities.

  e) **Notes to Financial Statement** include narrative descriptions or more detailed analyses of amounts shown on the face of the financial statement as well as additional information not presented on the face of the Statement of Financial Condition, Statement of Operation and Statement of Cash Flow to achieve fair presentation. It also describes the accounting policies and the measurement basis /bases used in the preparation of the financial statement.

- Classification of members' share as financial liability, PAS 32 *Financial Instruments: Presentation* and IFRIC Interpretation 2 *Members' Share in Cooperative Entities and Similar Instruments*

  PAS 32 establishes principles for the classification of financial instruments as financial liabilities or equity. In particular, those principles apply to the classification of puttable instruments that allow the holder to put those instruments to the issuer for cash or another financial instrument. As specified under IFRIC 2, the contractual right of the holder of a financial instrument (including members' share in co-operative entities) to request redemption does not in itself, require that financial instrument to be classified as financial liability. Rather, the entity must consider all of the terms and conditions of the financial instrument in determining its classification as a financial liability or equity. Those terms and conditions include relevant laws, regulations and the entity's governing charter in effect at the date of classification, but not expected future amendments to those laws, regulations or charter.

  Local law, regulation or the entity's governing charter can impose various types of prohibitions on the redemption of members' shares e.g. unconditional prohibitions or prohibitions based on liquidity criteria. If redemption is unconditionally prohibited by local law, regulation or the entity's governing charter, members' shares are equity. However, provisions in local law, regulation or the entity's governing charter that prohibit redemption only if conditions – such us liquidity constraints - are met (or not met) do not result in members' share being equity.

  As provided under Article 30, *Termination of Membership* of RA 9520, (1) a member of a cooperative may, for any valid reason, withdraw his membership from the cooperative by giving a 60 day notice to the board of directors. Subject to the bylaws of the cooperative, the withdrawing member shall be entitled to a refund of his share capital contribution and all other interest in the cooperative: provided, that such shall not be made upon such payment the value of the assets of the cooperative would be less than the aggregate amount of its debts and liabilities exclusive of his share capital contribution.

Under the SCA, members' share capital shall be accounted for and presented under equity.

- Retrospective restatement when the Cooperative changes an accounting policy or reclassifies items that affects income and expense, PAS 1

  PAS 1 requires that the effects of retrospective application or retrospective restatement recognized in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* be presented in the statement of changes in equity. However, as required under the SCA for cooperatives, adjustments on transactions affecting income and expenses incurred in previous years are recognized in the statement of operations and are presented under 'Other items – Subsidy/Gain (Losses)' as 'Prior Period Adjustment'.

- Effective interest method of recognition of interest income on financial instruments, PAS 18 *Revenues* and PAS 39 *Financial Instruments: Recognition and Measurement*

  Under PAS 18, interest income shall be recognized using effective interest method as set out in PAS 39 paragraph 9. However, for credit and other cooperatives, recognition of interest income is on a modified accrual basis (i.e., interest income, fines, penalties and surcharges shall be recognized when earned and actually collected).

Basis of measurement and presentation

The financial statement had been prepared on a historical cost basis and is presented in Philippine Peso (P), which is the Group's functional and presentation currency. All values are rounded off to the nearest Peso, unless otherwise indicated.

Use of judgments and estimates

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

Changes in accounting policies and disclosures

a. New standards and amendments effective before or on December 31, 2015

   The accounting policies adopted are consistent with those of the previous financial year except for the following new standards, amendments and interpretations effective for the first time from January 1, 2015 of which none have had a material effect on the financial statement:

   - Amendments to PAS 19- Defined Benefit Plans: Employee Contribution

   The adoption of the standards or interpretations is described below:

   - **Amendments to PAS 19 – Defined Benefit Plans: Employee Contribution:** The amendment to PAS 19 introduces a narrow scope amendment that:

     a. Provides a practical expedient for certain contributions from employees or third parties to a defined benefit plan, but only those contributions that are independent of the number of years of service

b. Clarifies the treatment of contributions from employees or third parties to a defined benefit plan that are not subject to the practical expedient.

These are accounted for in the same way that the gross benefit is attributed in accordance with PAS 19.70. Contributions that are independent of the number of years of service include:

a. Contributions that are based on a fixed percentage of salary
b. Contributions of a fixed amount throughout the service period
c. Contributions that are dependent on the employee's age.

b. New standards, interpretations and amendments effective from January 1, 2015

The accounting policies adopted are consistent with those of the previous financial year except for the following new standards, amendments and interpretations effective for the first time from January 1, 2015 of which none have had a material effect on the financial statement:

- Amendments to PFRS 10 *Consolidated Financial Statements*, PFRS 12 *Disclosure of Interests in Other Entities* and PAS 27 *Separate Financial Statements*: Investment Entities, effective January 1, 2015
- Amendments to PAS 32: Offsetting of Financial Assets and Liabilities, effective January 1, 2015
- Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets, effective January 1, 2015
- Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting, effective January 1, 2015
- Philippine Interpretation IFRIC 21, Levies, effective January 1, 2015

The adoption of the standards or interpretations as described in the succeeding pages is dependent on the applicability of those standards or interpretations to the operations of the Cooperative taking into consideration cooperative laws, rules, regulations and principles.

- **Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities:** The amendment introduces an exception to the principle that all subsidiaries are required to be consolidated. The amendments define an investment entity and require a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss in its consolidated and separate financial statement. These also introduce disclosure requirements for investment entities into PFRS 12 and amend PAS 27.

- **Amendments to PAS 32: Offsetting of Financial Assets and Liabilities:** The amendment clarifies the accounting requirements for offsetting financial instruments. The amendment clarifies that the right of offset, in addition to the existing requirement, (1) must not be contingent of a future event; and (2) must be legally enforceable in the course of business, in the event of default and in the event of insolvency or bankruptcy of the entity and all of the counterparties.

- **Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets:** The amendment requires the disclosure of the recoverable amount of an asset (or cash-generating unit) during periods in which impairment has been either recorded or reversed in respect of that asset (or cash-generating unit). The amendment also requires an entity to make disclosures for fair value less costs of disposal that are consistent with those currently required for an asset (or cash generating unit) where the recoverable amount has been determined on the basis of value in use.

- **Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting:** The amendments introduce a narrow scope exception that would allow the continuation of hedge accounting when a derivative is novated, subject to the following criteria:

    - The novation comes as a consequence of laws or regulations (or the introduction of laws or regulations);
    - The parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty of each party;
    - Any changes to the hedging instrument are limited only to those that are necessary to effect such a replacement of the counterparty.

- **Philippine Interpretation IFRIC 21, Levies:** The interpretation provides guidance on when to recognize a liability for a government imposed levies that are accounted for in accordance with PAS 37, Provisions, Contingent Liabilities and Contingent Assets and whether the timing and amount are certain. The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation. The following factors do not create or imply the existence of an obligation event: (1) preparation of the financial statement under the going concern principle or (2) economic compulsion of the entity.

c. New standards, interpretations and amendments issued but not yet effective.

Standards issued but not yet effective up to the date of issuance of the Insurance Cooperative's financial statement, which the Group's reasonable expects to have an impact on disclosures, financial position or performance when applied at a future date are enumerated below. The Group's intends to adopt those standards when they become effective and applicable to its operations taking into consideration laws, rules, regulations and principles.

- **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
  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 14 Regulatory Deferral Accounts:** In January 2014, the PASB published 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 recognise 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
  – Recognise associated assets and/or liabilities in accordance with their current national GAAP.

  Entities within the scope of PFRS 14 have 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.

  PFRS 14 has an effective date of 1 January 2016, with early application permitted.

- **Amendments to PFRS 10 and PAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture:** The amendments clarify the accounting for transactions where a parent loses control of a subsidiary, that does not constitute a business as defined in PFRS 3 Business Combinations, by selling all or part of its interest in that subsidiary to an associate or a joint venture that is accounted for using the equity method.

For the interest in the former subsidiary that has been sold to the associate or joint venture, the gain recognised is restricted to the amount that is attributable to the unrelated investors' interests in the associate or joint venture.

Any directly held retained interest in the former subsidiary is first remeasured to fair value. Gains and losses from the remeasurement are then recognised as follows:
- The retained interest is accounted for as an associate or joint venture using the equity method: The parent recognises the gain or loss in profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The remainder is eliminated against the carrying amount of the investment in the associate or joint venture
- The retained interest is accounted for at fair value in accordance with PFRS 9 Financial Instruments: The parent recognises the gain or loss in full in profit or loss.

Mandatory adoption for periods beginning on or after 1 January 2016.

- **Amendments to PFRS 10, PFRS 12 and PAS 28 – Investment Entities: Applying the Consolidation Exception:** The amendments clarify a number of aspects of PFRS 10 Consolidated Financial Statements, PFRS 12 Disclosure of Interests in Other Entities and PAS 28 Interests in Associates and Joint Ventures in relation to the investment entities exception:

(i) How intermediate parent entities should apply the general scope exemption from preparing consolidated financial statement provided by paragraph 4 of PFRS 10, when the ultimate parent is an investment entity

The amendments clarify that so long as the entity's ultimate (or intermediate) parent produces financial statement 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 statement (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 statement 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 non-investment 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.

Mandatory adoption for periods beginning on or after 1 January 2016.

- **Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations:** 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 has also been made to PFRS 1 First-time Adoption of International Financial Reporting Standards, 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, as defined in PFRS 3.

Mandatory adoption for periods beginning on or after 1 January 2016.

The adoption of the amended standards is not expected to have a material impact on the Group's financial statement.

- **Amendments to PAS 1 – Disclosure Initiatives:** The amendments to PAS 1 Presentation of Financial Statement are a part of a major initiative to improve disclosure requirements in PFRS financial statement.

  The amendments being made to PAS 1 include:

  – ***Materiality***: Aggregation or disaggregation should not obscure useful information. Materiality applies to each of the primary financial statement, the notes and each specific disclosure required by PFRSs.

  – ***Line items in primary financial statement***: Additional guidance for the list of line items required to be presented in primary statement, in particular that it may be appropriate for these to be disaggregated, and new requirements regarding the use of subtotals.

  – ***Notes to the financial statement***: Determination of the order of the notes should include consideration of understandability and comparability of financial statement. 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.

  Mandatory adoption for periods beginning on or after 1 January 2016.

  The adoption of the amended standards is not expected to have a material impact on the Group's financial statement.

- **Amendments to PAS 16 – Clarification of Acceptable Methods of Depreciation and Amortization:** PAS 16 Property, Plant and Equipment has been amended to include guidance that prohibits 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. In addition, guidance for the depreciation amount and depreciation period, 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. Mandatory adoption for periods beginning on or after 1 January 2016.

- **Amendments to PAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization:** Paragraphs 98A - 98C of PAS 38 Intangible Assets have been added to clarify that there is a rebuttable presumption that revenue-based amortization is not appropriate, and that this can only be rebutted in limited circumstances where 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.

  PAS 38.98B clarifies that, as a starting point to determining an appropriate amortization method, an entity could determine the 'predominant limiting factor' inherent in the intangible asset, for example:
  - A contractual term which specifies the period of time that an entity has the right to use an asset
  - Number of units allowed to be produced
  - Fixed total amount of revenue allowed to be received.

  PAS 38.98C then clarifies that where an entity has identified that the achievement of a revenue threshold is the predominant limiting factor of an intangible asset, it may be possible to rebut the presumption that revenue-based amortization is not appropriate.

  Mandatory adoption for periods beginning on or after 1 January 2016.

- **Amendments to PAS 16 and PAS 41 – Agriculture: Bearer Plants:** The amendments extend the scope of PAS 16 Property, Plant and Equipment 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.

  The agricultural produce of bearer plants remains within the scope of PAS 41 Agriculture. The amendments include the following transitional reliefs for the purposes of their 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 the deemed cost.
  - 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.

  Mandatory adoption for periods beginning on or after 1 January 2016

- **Amendments to PAS 27 – Equity Method in Separate Financial Statement:** 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 statement. The accounting approach that is selected is required to be applied for each category of investment.

  Before the amendments, entities have either accounted for their investments in subsidiaries, joint ventures or associates 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 adopted PFRS 9). The option to present 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 has also been made to PAS 28 Investments in Associates and Joint Ventures, to avoid a potential conflict with PFRS 10 Consolidated Financial Statement for partial sell downs.

  Mandatory adoption for periods beginning on or after 1 January 2016.

Annual Improvements to PFRS 2012 – 2014 Cycle

The purpose of Annual Improvements is to clarify guidance or wording in the standards, and to make corrections for unintended consequences, conflicts or oversights in the standards. Amendments were made to the following standards:

- **PFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Change 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, an entity must apply the classification, presentation and measurement requirements of PFRS 5.

  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.

  The amendment to PFRS 5 is required to be applied prospectively.

- **PFRS 7 Financial Instruments: Disclosures – Servicing contracts and the applicability of offsetting amendments in condensed interim financial statement**

  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 exists 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 not paid in full because of non-performance of the transferred financial asset.
  The amendment does not need to be applied for any period beginning before the annual period in which the entity first applies the amendments, as it might be impracticable for the fair values of servicing assets or liabilities to be determined retrospectively. However,

the amendment is characterised in the transitional guidance as being applied retrospectively in accordance with PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. This is because there is a requirement to look back to past transactions to determine whether a servicing asset or liability needs to be disclosed.

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.

Applicability of the offsetting amendments in condensed interim financial statement

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 statement in order to comply with PAS 34 Interim Financial Reporting.

The amendment is required to be applied retrospectively in accordance with PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

- **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 statement, with initial adjustments being recognised in retained earnings at the beginning of that period.

- **PAS 34 Interim Financial Reporting – Meaning of 'elsewhere in the interim financial report':** The requirements of PAS 34.16A require additional disclosures to be presented either in the:

  – Notes to the interim financial statement or
  – Elsewhere in the interim financial report.

  The amendment clarifies, that a cross-reference is required, if the disclosures are presented 'elsewhere' in the interim financial report, such as in the management commentary or the risk report of an entity. However, to comply with PAS 34.16A, if the disclosures are contained in a separate document from the interim report, that document needs to be available to users of the financial statement on the same terms and at the same time as the interim report itself.

  The amendment to PAS 34 is required to be applied retrospectively in accordance with PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Mandatory adoption for periods beginning on or after 1 January 2016.

- *Improvements in PFRSs (2010 – 2012 cycle)*

  - PFRS 2 – Shared-based Payment: The definitions of vesting and market conditions have been clarified by separately defining a performance condition and a service condition, both of which were previously incorporated within the definition of a vesting condition without themselves specifically being defined.

  - PFRS 3 – Business Combination: The amendment clarifies that the classification of contingent consideration as either a liability or an equity instrument is on the basis of guidance in PAS 32 Financial Instruments: Presentation. Contingent consideration that is not classified as equity is required to be remeasured to fair value at each reporting date, with changes in fair value being reported in profit or loss.

- PFRS 8 - Operating Segments: When operating segments have been aggregated in determining reportable segments, additional disclosures are required. These set out the judgements that have been made by management in applying the aggregation criteria in PFRS 8 Operating Segment that are used to assess whether the aggregated segments have similar economic characteristics. A further amendment clarifies that a reconciliation of total reportable segment assets is only required if a measure of segment assets is regularly provided to the chief operating decision maker.

- PFRS 13 - Fair Value Measurement: The amendment clarifies that short term receivables and payables with no stated interest rate can continue to be measured at the invoice amount without discounting, where the effect of discounting is immaterial. A previous amendment had suggested that an existing practical expedient that eliminated the need to discount those items had been removed.

- PAS 16 - Property, Plant and Equipment and PAS 38 - Intangible Asset: The computation of accumulated depreciation when items of property, plant and equipment and intangible assets are revalued has been clarified. The net carrying amount of the asset is adjusted to the revalued amount and either:
  a) the gross and accumulated depreciation/amortisation amounts are adjusted; or
  b) accumulated depreciation/amortisation is eliminated against the gross carrying amount.

- PAS 24 - Related Party Transactions: The amendment clarifies that an entity that provides key management personnel services to the reporting entity (or to the parent of a reporting entity) is a related party of the reporting entity. However, it is not necessary to analyze the total amount paid into the categories set out in PAS 24.17.

- *Improvements in PFRSs (2011 – 2013 cycle)*

  - PFRS 1 - First time adoption of PFRS: A first-time adopter is required to use accounting policies that comply with 'each PFRS effective at the end of an entity's first reporting period'. The Basis for Conclusions was amended to clarify that there is an option to use either:
    a) the PFRSs that are mandatory at the end of that reporting period; or
    b) one or more PFRSs that are not yet mandatory, if those PFRSs permit early adoption.

  - PFRS 3 - Business Combination: Certain consequential amendments were not made to PFRS 3 Business Combinations when PFRS 11 Joint Arrangements was issued. These have now been incorporated, meaning that:
    a) the formation of all types of joint arrangement as defined in PFRS 11 Joint Arrangements are excluded from the scope of PFRS 3 Business Combinations; and
    b) it is clarified that the scope exception applies only to the accounting by the joint arrangement in its own financial statement, and not the accounting by the parties to the joint arrangement for their **interests**.

  - PFRS 13 - Fair Value Measurement: PFRS 13 Fair Value Measurement contains an exception that permits the fair value of a group of financial assets and financial liabilities to be measured on a net basis (the 'portfolio exception'). The amendment clarifies that the portfolio exception applies to all contracts within the scope of the financial instruments standards, including certain contracts for the purchase or sale of non-financial items that are scoped into those standards.

  - PAS 40 - Investment Property: The amendment clarifies the interrelationship between PFRS 3 Business Combinations and PAS 40 Investment Property when determining whether the acquisition of an investment property constitutes an asset purchase or a business combination. It is noted that judgement is required based on the guidance in PFRS 3 Business Combinations and PAS 40.7-15, and that this judgement is separate from the question of distinguishing between investment property and owner occupied property.

- *Improvements in PFRSs (2012 – 2014 cycle)*

  - PFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Change 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, an entity must apply the classification, presentation and measurement requirements of PFRS 5.

    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.

    The amendment to PFRS 5 is required to be applied prospectively.

  - PFRS 7 Financial Instruments: Disclosures – Servicing contracts and the applicability of offsetting amendments in condensed interim financial statement.

    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 exists 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 not paid in full because of non-performance of the transferred financial asset.

    The amendment does not need to be applied for any period beginning before the annual period in which the entity first applies the amendments, as it might be impracticable for the fair values of servicing assets or liabilities to be determined retrospectively. However, the amendment is characterised in the transitional guidance as being applied retrospectively in accordance with PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. This is because there is a requirement to look back to past transactions to determine whether a servicing asset or liability needs to be disclosed.

    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.

    Applicability of the offsetting amendments in condensed interim financial statement

    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 Interim Financial Reporting.

    The amendment is required to be applied retrospectively in accordance with PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

  - 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 statement, with initial adjustments being recognised in retained earnings at the beginning of that period.

- PAS 34 Interim Financial Reporting – Meaning of 'elsewhere in the interim financial report': The requirements of PAS 34.16A require additional disclosures to be presented either in the:

  – Notes to the interim financial statement or
  – Elsewhere in the interim financial report.

  The amendment clarifies, that a cross-reference is required, if the disclosures are presented 'elsewhere' in the interim financial report, such as in the management commentary or the risk report of an entity. However, to comply with PAS 34.16A, if the disclosures are contained in a separate document from the interim report, that document needs to be available to users of the financial statement on the same terms and at the same time as the interim report itself.

  The amendment to PAS 34 is required to be applied retrospectively in accordance with PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Mandatory adoption for periods beginning on or after 1 January 2016.

2.2 Financial Instruments

Date of recognition

Financial assets and liabilities are recognized in the statement of financial condition when the Group becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and de-recognition, as applicable, is done using trade accounting or settlement date accounting.

Initial recognition

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

Determination of fair value

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

If the financial instruments are not listed in an active market, the fair value is determined using appropriate valuation techniques which include recent arm's length market transactions, discounted cash flow techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

Classification of financial instruments

The Insurance Cooperative classifies its financial assets in the following categories: investment at FVPL, held-to-maturity (HTM) financial assets, available-for-sale (AFS) financial assets and loans and receivables. The classification depends on the purpose for which the investments are acquired, taking into consideration cooperative laws, rules, regulations and principles, and whether they are quoted in an active market. Management determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

The Group's accounting policy for each category of financial instruments follows:

Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading (HFT) and financial assets designated upon initial recognition as FVPL which shall comprise both debt and equity securities. A financial asset is classified in this category if acquired principally for the purpose of selling in the near term.

As at December 31, 2015 and 2014, the Group had no financial assets classified under this category.

HTM financial assets

HTM financial assets refers to debt securities quoted in an active market with fixed and determinable payments and fixed maturity that the Group has the positive intention and ability to hold until maturity. Investments to be held for an undefined period are not included under this classification.

After initial measurement, these investments are measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium on acquisition and fees that are an integral part of the effective interest rate (EIR). Gains and losses are recognized in profit or loss when the HTM investments are derecognized or impaired, as well as through the amortization process.

As at December 31, 2015 and 2014, the Group had designated financial assets classified under this category (Note 6).

AFS financial assets

This includes non-derivative financial assets which are either designated in this category or are not classified in any of the other categories.

After initial recognition, AFS financial assets are measured at fair value with unrealized gains or losses being recognized as other comprehensive income in the statement of operations. Cumulative gains/losses are presented as a component of equity until the investments are determined to be impaired or are derecognized at which time the cumulative gain or loss is included in profit or loss. Interest and dividends earned/received on holding AFS investments are recognized in profit or loss upon collection.

As at December 31, 2015 and 2014, the Group had designated financial assets classified under this category (Note 7).

Investment in non-marketable equity securities (INMES)

INMES refer to equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. INMES shall be measured upon initial recognition at fair value plus transaction costs that are directly attributable to the acquisition of the security. After initial recognition, the INMES are measured at cost. A gain or loss arising from the change in fair value of the INMES shall be recognized in the profit or loss when the security is derecognized or impaired.

As at December 31, 2015 and 2014, The Group had no financial assets classified under this category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS or financial asset at FVPL. Loans and receivables are subsequently measured at amortized cost less probable losses, if any, and unamortized loan discounts. Amortization is determined using the diminishing balance (based on installment period) method. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through amortization process. Unearned discount is recognized as income over the life of the loan using the effective interest method.

As at December 31, 2015 and 2014 the Group's loans and receivable were included in this category (Notes 8)

Financial liability at FVPL

Financial liabilities are classified in this category if these result from trading activities or derivative transactions that are not accounted for as accounting hedges, or when the Group elects to designate a financial liability under this category.

The Group had not designated a financial liability at FVPL as at December 31, 2015 and 2014.

Other financial liabilities

This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations (e.g. trade payables, accruals) or borrowings (e.g. bank loans).

The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. However, liabilities that have no stated interest and classified as current liabilities are measured at the undiscounted amount of cash or other consideration expected to be paid.

As at December 31, 2015 and 2014, the Group's interest on share capital, accounts payable and accrued expenses were designated as other financial liabilities (Notes 1 and 13).

Fair value measurement hierarchy

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 Group.

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 Group 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 statement 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 statement on a recurring basis, the Cooperative 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 Cooperative 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.

The Group had no financial instruments valued based on Level 1, 2 and 3 of the fair value hierarchy as at December 31, 2015 and 2014.

Derecognition of financial assets and liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when: a) the rights to receive cash flows from the asset have expired; b) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or c) The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Cooperative's continuing involvement in the asset.

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

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

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 a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Impairment of financial assets

Assessment of impairment

The Group assesses every financial reporting period whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. It assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that the group of financial assets is collectively assessed for impairment.

The determination of impairment losses for financial assets is inherently subjective because it 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.

Evidence of impairment

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that it would not otherwise consider, disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers, or economic conditions that correlate with defaults.

Impairment on assets carried at amortized cost

The allowance for probable losses on receivables is the estimated amount of losses in the Group's loan portfolio and other receivables. Allowance for probable losses is recognized when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The level of allowance is based on the higher of management's evaluation of potential losses after consideration of prevailing and anticipated economic conditions, collection and credit experience with specific accounts and an evaluation of potential losses based on management's judgment and taking into consideration cooperative laws, rules, regulations, principles and practices.

Allowance for probable losses is maintained at a level considered adequate to provide for potential losses on loans and other resources. The allowance is increased by provision charged to profit or loss and reduced by write-offs.

Impairment of assets carried at cost

If there is objective evidence of an impairment loss on an unquoted equity/debt 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/debt 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. Such impairment losses shall not be reversed.

Reversal of impairment loss

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed either directly or by adjusting an allowance account. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its cost at the reversal date.

Classification of the financial instruments between debt and equity

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest relating to a financial instrument or a component that is a financial liability is reported as expenses.

A financial instrument is classified as debt if it provides for a contractual obligation to: a) deliver cash or another financial asset to another entity; or b) exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Cooperative; or c) satisfy the obligation other than by exchange of a fixed amount of cash or other financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Based on the substance of the transaction and taking into consideration cooperative laws, rules, regulations and principles, members' share capital is classified as equity.

Offsetting financial instruments

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

2.3 Cash

Cash and cash equivalents include petty cash fund, revolving fund, service car fund, cash in banks and other cooperatives.

2.4 Prepayments

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 operations as they are consumed or as they expire with the passage of time.

2.5 Property and equipment

Land is measured at cost less allowance for any impairment in value and all other depreciable properties are stated at cost less accumulated depreciation and amortization, and any impairment in value.

The initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance, are normally charged to expense as incurred. In situations where it can be clearly demonstrated that the expenditures have resulted to an increase in the future economic benefits expected beyond its original assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

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

Components	Estimated useful life (in years)
Building	5 to 25
Building, leasehold and rights improvements	2 to 5 years
Deep Well	5
Office furniture, fixture, and equipment	2 to 5

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued used of the asset. Any gain or loss on de-recognition of the asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of operations in the year the item is derecognized.

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 operations.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and any impairment loss are removed from the accounts and any resulting gain or loss is credited or charged to other income in the statement of operations.

2.6 Investment property

Investment properties consist of properties that are held to earn rentals or for capital appreciation or both, and that are not yet occupied/used by the Group. Investment properties are carried at cost less accumulated depreciation and any impairment in value. Subsequent to initial recognition, investment properties, except for land, are stated at cost less accumulated depreciation and any impairment in value. Depreciation is computed on the straight-line method over the estimated useful life of 25 years. Land is stated at cost less any impairment in value.

Investment properties are derecognized when either these have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

2.7 Investment in subsidiaries

Investments in subsidiaries are accounted for at cost. The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. Such impairment loss is measured as the difference between the carrying amount of the investment and the present value of the estimated cash flows discounted at the current market rate of return for similar financial asset. The amount of the impairment loss is recognized in profit or loss. Impairment losses recognized are not reversed.

Subsidiaries are entities over which the Group has the power to govern the financial reporting policies generally accompanying a shareholding of more than ½ of the voting rights. The Group obtains and exercises control through voting rights. The existence and effect of potential voting rights that are currently exercisable and convertible are considered when assessing whether the Parent Cooperative controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Consolidated financial statement is prepared using uniform accounting policies for like transactions and other events in similar circumstances. Balances and transactions, including profits and unrealized profits and losses arising from transaction between the Parent Cooperative and its subsidiaries are eliminated.

Non-controlling interests represent interests in certain subsidiaries not held by the Group and are presented separately in the consolidated statement of comprehensive income and consolidated statement of changes in members' equity separately from the equity of the members of the Group.

2.8 Intangible assets

Intangible assets are identifiable non-monetary asset without physical substance. The Group recognizes an item as an intangible asset if it can demonstrate that the item meets the definition of an intangible asset.

Computerization cost

Computerization costs include the costs of acquisition or development of computer programs and other software which is accounted for under the cost model. The costs of the asset comprise of the purchase price and any directly attributable costs of bringing the asset to its working condition and/or its intended use.

Capitalized costs are amortized on a straight-line basis over the estimated useful lives ranging from 2 to 3 years as the lives of these intangible assets are considered limited. Costs associated in the maintaining of computer software are expensed as incurred.

2.9 Impairment of non-financial assets

At each financial reporting date, the carrying amounts of the Group's non-financial assets (such as property and equipment and intangible assets) are reviewed to determine whether there is any indication of impairment or when impairment loss previously recognized no longer exists or may have decreased. When an indicator of impairment exists, the Group makes formal estimate of recoverable amount. An impairment loss is recognized in profit or loss whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.

The recoverable amount of a non-financial asset is the greater of the asset's fair value less cost to sell or value in use. The fair value less cost to sell is the amount obtainable from the sale of an 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 largely independent of those assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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 or amortization, had no impairment loss had been recognized. Reversals of impairment loss are recognized in profit or loss.

2.10 Actuarial Policies

Actuarial liabilities and other policy liabilities, including policy benefits payable, are computed by the Consulting Actuary of the Group using actuarial practices generally accepted in the Philippines. Actuarial liabilities and other policy liabilities represent the estimated amounts which, together with estimated future premiums and net investment income, will provide for outstanding claims, estimated future benefits, and expenses on in-force policies.

In calculating actuarial liabilities and other policy liabilities, assumptions must be made about the timing and amount of many events, including death, accident or sickness, investment, inflation, policy termination, expenses, taxes, premiums and commissions. The Group uses best estimate assumptions for expected future experience.

Uncertainty is inherent in the process, as no one can accurately predict the future. Some assumptions relate to events that are anticipated to occur many years in the future and are likely to require subsequent revision. Additional provisions are included in the actuarial liabilities to provide for possible adverse deviations from best estimates. If the assumption is more susceptible to change or if the actuary is less certain about the underlying best estimate assumption, a correspondingly larger provision is included in the actuarial liabilities. In determining these provisions, the Group ensures: (a) when taken one at a time, the provision is reasonable with respect to the underlying best estimate assumption, and (b) in total, the cumulative effect of all provisions is reasonable with respect to the total actuarial liabilities. With the passage of time and resulting reduction in estimation risk, the provisions are released into income. The best estimate assumptions and margins for adverse deviations are reviewed annually and revisions are made where deemed necessary and prudent.

2.11 Recording of Claims from Policyholders

Claims incurred comprise settlement and handling costs of paid and outstanding claims arising during the year and adjustments to prior year claim provisions. Outstanding claims comprise incurred up to, but not paid at the end of the year, whether reported or not.

2.12 Reinsurance

The Group cedes insurance risk in the normal course of business. Reinsurance assets include balances recoverable from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exist that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably.

The impairment loss is recorded in the statement of comprehensive income. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

2.13 Provisions

Provisions if any, are recognized when the Group has a present obligation (legal or constructive) as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events. The amount recognized is the best estimate of the expenditure required to settle the present obligation at financial reporting date, that is, the amount the Group would rationally pay to settle the obligation to a third party.

2.14 Contingent assets and liabilities

Contingent liabilities are not recognized in the financial statement. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

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

2.15 Members' equity

Share capital

Share capital is determined using the nominal value of shares that have been issued. The share capital is presented as equity as allowed under the financial reporting standards in the Philippines which include all applicable PFRS and taking into consideration accounting requirements under the laws, rules, regulations and principles promulgated by the CDA.

Common shares - these refer to those shares with voting rights issued by the Group to its regular members.

Preferred shares – these refer to those shares without voting rights issued by the Group to its associate and regular members.

Treasury shares - these represent shares which were bought back by the Group and held in treasury. Treasury shares are recorded based on the amount paid by the Group in acquiring those shares. These are presented as a contra-equity account in the statement of changes in equity.

Subscription receivable - this refers to the total amount of unpaid subscribed share capital of regular members. This is presented as a contra-equity account in the statement of changes in equity.

Statutory funds

Statutory funds are mandatory funds established / set up in accordance with Articles 86 and 87 of the Cooperative Code. These include all prior years' allocation of net surplus, net of interest on share capital and patronage refunds, as presented in the statement of operations. The composition of reserve funds follows:

Reserve fund - amounts set aside annually for the stability of the Group and to meet net losses in its operations. It is equivalent to at least 10% of the net surplus.

Education and training fund - an amount retained by the Group out of the mandatory allocation as stipulated in the Group's by-laws. It is equivalent to at least 10% of the net surplus.

Community development fund – This is, at the minimum, 3% of the net surplus. This is used for projects or activities that will benefit the community where the Group operates. It is equivalent to at least 3% of the net surplus.

Optional fund - fund set aside from the net surplus (should not exceed 7%) for future use such as land and building, community developments, etc. It is equivalent to at least 7% of the net surplus.

2.16 Income recognition

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

Insurance premiums- life

Insurance premiums are recorded as income as these are collected, usually at the policy anniversary date. Accrual of uncollected premiums is made at the end of the year if the grace period is still in effect. Single premiums, however, are amortized over the term of the policy – these are recorded as income each policy anniversary date. Premium income is also deducted by the amount of premiums on insurance business ceded.

Insurance premiums- non-life

Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognized on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior periods.

Premiums from short-duration insurance contracts are recognized as revenue over the period of the contacts using the 24^{th} method except for the marine cargo where premiums for the last two months are considered earned the following year. The portion of the premiums written that relate to the unexpired periods of the policies at the reporting dates are accounted for as Provision for unearned premiums as part of the insurance contract liabilities and presented in the liabilities section of the consolidation statement of financial condition. The related reinsurance premiums ceded that pertains to the unexpired periods at reporting dates are accounted for as deferred reinsurance premiums and shown as part of reinsurance assets in the consolidated statement of financial condition.

Commissions

Commissions earned from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24^{th} method except for marine cargo where the deferred reinsurance commissions that relate to the unexpired periods of the policies at the end of the reporting period are accounted for deferred reinsurance commissions and presented in the liabilities section.

Interest income on deposits and investments

Income is recognized as the interest accrues taking into account the effective yield on the assets.

Other income

All other income items are recognized when earned and collected.

2.17 Interest expense

Interest incurred on borrowings is recognized in the statement of comprehensive income when incurred.

2.18 Cost and expense recognition

Costs and expenses are recognized in the statement of comprehensive income: (a) when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably; (b) on the basis of a direct association between the costs incurred and the earning of specific items of income; (c) 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 (d) 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 condition as an asset. Operating expenses are costs attributable to the general and administrative activities of the Cooperative.

2.19 Benefits and claims

Gross benefits and claims consist of benefits and claims paid to policyholders and changes in the gross valuation of insurance contract liabilities, except for gross changes in the provision for unearned premiums which are included in net premiums earned. It further includes internal and external claims handling cost that are directly related to the processing and settlement of claims. Amounts receivable in respect of salvage and subrogation are also considered. General insurance claims are recorded on the basis of notifications received.

Share in liabilities for claim costs and claim adjustment expenses relating to insurance contracts are accrued when insured events occur. The shares in liabilities for claims are based on the estimated ultimate cost of setting the claims. The method of determining such estimates and establishing reserves are continually reviewed and updated. Changes in estimates of claim costs resulting from the continuous review process and differences between estimates and payments are recognized as income or expense of the period in which the estimates are changed or payments are made.

2.20 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of the specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on a specified asset;
d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d); and at the date or renewal or extension period for scenario (b).

Group as lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as expense in the profit or loss on a straight line basis over the lease term.

Group as lessor

Leases where the members of the Group do not transfer all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to carrying amount of the leased asset and are recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the year in which they are earned.

2.21 Employee benefits

Short-term employee benefits

Short-term employee benefits are recognized as expense in the period when the economic benefits are given. Unpaid benefits at the end of the financial reporting period are recognized as accrued expense while benefits paid in advance are recognized as prepayment to the extent that it will lead to a reduction in future payments. Short-term benefits given by the Cooperative to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses and non-monetary benefits.

Retirement benefits

PAS 19, *Employee Benefits* requires the entity to recognize a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and an expense when the entity consumes the economic benefit arising from services provided by employees in exchange for employee benefits. It requires entities with defined benefit plans to determine the present value of defined benefit obligations and fair value of any plan assets with sufficient regularity, that the amounts recognized in the financial statement do not differ materially from the amounts that would be determined at the reporting period.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date or when the employee accepts voluntary redundancy in exchange of these benefits.

2.22 Borrowing costs

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds. These are recognized as expense when incurred except when such costs relate to a qualifying asset, in which case, borrowing costs incurred will be capitalized. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

2.23 Related parties

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors, or its members.

2.24 Events after the reporting period

Post year-end events up to the date the auditors' report that provide additional information about the Group's condition at the end of the reporting period (adjusting events) is reflected in the financial statement. Post year-end events that are not adjusting events are disclosed in the notes to the financial statement when material.

2.25 Accounts peculiar to cooperatives

The following accounts are peculiar to a cooperative due to its nature as well as adherence to cooperative laws, issued policies, rules and regulations, as well as cooperative principles and practices:

ASSETS

- Cash in Cooperative Federation - refers to money deposited in federations which are unrestricted and readily available when needed. These are treated as cash and other cash equivalents.

- Due from Accountable Officers and Employees - refers to total collectibles from shortages and other losses due from accountable officers and employees that are subject to immediate settlement/sanction. These are recognized at cost, less allowance for impairment, if any.

- Cooperative Development Cost - refers to expenses incurred prior to the actual operations of the Group. These are recognized at cost, subject to amortization for a period not exceeding 3 years.

- Other Funds and Deposits - refers to funds set aside for funding of reserves (Statutory and Other Reserves) established by the Group such as Retirement, Mutual Benefit and other Funds. These are recorded at cost.

LIABILITIES

- Interest on Share Capital Payable - refers to liability of the Group to its members for interest on share capital, which can be determined only at the end of every year.

- Patronage Refund Payable - is the liability of the Group to its members and patrons for patronage refund, which can be determined only at the end of every year.

- Due to Union/Federation (CETF) - is an amount set aside for the education and training fund of an apex organization wherein 50% of the amount is allocated by the Group in accordance with the provision of the Group's by-laws and the Cooperative Code. The apex organization may either be a federation or union of which the Group is a member.

- Revolving Capital Payable - is the deferred payment of interest on share capital and patronage refund whose payment has been withheld, which should be agreed upon in the General Assembly.

- Project Subsidy Fund Payable - unused portion of the donation/grant for training, salaries & wages, etc.

- Mutual Benefit and Other Funds Payable - are funds for special purposes such as members' welfare & benefits (i.e. loan protection, hospitalization, death, scholarship assistance, etc. including provision for accidents not taken from net surplus).

EQUITY

- Donations/ Grants - are amounts received by the Group as awards, subsidies, grants, aids and others. This shall not be available for distribution as interest on share capital and patronage refund, and shall form part of the members' equity in the Statement of Financial Condition.

- Statutory Funds - are mandatory funds established/set up in accordance with Articles 86 and 87 of the Cooperative Code. They are as follows:

  - Reserve Fund - amounts set aside annually for the stability of the Group and to meet net losses in its operations. It is equivalent to at least 10% of the net surplus. A corresponding fund should be set up either in the form of time deposit with local banks or government securities. Only the amount in excess of the paid up share capital may be used for the expansion and authorized investment of the Group as provided for in its by-laws.

  - Education and Training Fund - an amount retained by the Group out of the mandatory allocation as stipulated in the Group's by-laws

  - Community Development Fund – This is, at the minimum, 3% of the net surplus. This is used for projects or activities that will benefit the community where the Group operates.

  - Optional Fund - fund set aside from the net surplus (should not exceed 10%) for future use such as land and building, community developments, etc.

EXPENSES

- General Assembly Meeting - expenses incurred in the conduct of regular/special general assembly.

- Members' Benefit - all expenses incurred for the benefit of the members.

- Affiliation Fee - amount incurred to cover membership or registration fees and annual dues to a federation or union.

- Social and Community Service - expenses incurred by the Group in its social community involvement including solicitations and donations to charitable institutions.

- Provision for Members' Future Benefits - amount set up for future benefit of members, such as pension of members, etc. not taken from net surplus.

OTHER ITEMS

- Project Subsidy - refers to the amount deducted from project subsidy fund to subsidize project expenses. This shall appear in the statement of operation as a contra account to Subsidized Project Expenses.

- Donation and Grant Subsidy - refers to an amount deducted from Donations and Grants account to subsidize depreciation funded by donations and grants.

- Optional Fund Subsidy - refers to an amount deducted from Optional Fund to subsidize depreciation funded by Optional Fund and /or community development expense.

- Subsidized Project Expenses - refers to a portion of the Project Subsidy Fund expended for training, salaries and wages and other activities subsidized by donations and grants.

NOTE 3 – CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statement in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statement. The judgments, estimates and assumptions are based on management's evaluation of relevant facts and circumstances as of the date of the financial statement. Actual results could differ from these estimates and assumptions used. The effect of any change in estimates will be reflected in the financial statement when they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following is a summary of the significant estimates, judgments and assumptions used by the Group in the preparation of the financial statement:

3.1 Judgments

Determination of functional currency

PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Group considers the following: (a) the currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled); (b) the currency in which funds from financing activities are generated; and (c) the currency in which receipts from operating activities are usually retained.

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group has been determined to be the Philippine Peso. The Philippine peso is the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences the recognition and measurement of the Group's revenue and expenses.

Classification of financial instruments

The Group 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 definitions of a financial asset, a financial liability or an equity instrument. In addition, the Group 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 instruments to maturity generally governs its classification in the statement of financial condition.

Based on the substance of the transaction and taking into consideration Group laws, rules, regulations and principles, members' share capital is classified as equity. The classification of financial assets and financial liabilities is presented in Note 21.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded as at financial reporting date cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation.

Disclosures of fair values of the Group's financial assets and financial liabilities in a way that permit it to be compared with its carrying amounts are shown in Note 21.

Financial assets not quoted in an active market

The Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Classification of acquired properties

The Group classifies its acquired properties as assets held for sale if expected that the properties will be recovered through sale rather than use, as investment properties if intended to be held for capital appreciation.

Determination of type of lease

The Group has entered into various lease agreements as a lessor and as a lessee. Critical judgment was exercised by management to distinguish each lease agreement as either operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by lease agreements.

3.2 Estimates and assumptions

Estimating allowance for probable losses on receivables

Provisions are made for accounts identified to be doubtful of collection based on the Group's policies. The level of allowance is evaluated based on historical loss experience, current economic conditions, subsequent and possible collections and other risk factors obtained during the review of the status of existing receivables.

The carrying values of accounts receivable amounted to P36,720,989 and P9,967,119 as at December 31, 2015 and 2014, respectively.

Estimating useful lives of property and equipment

The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase recorded operating expenses and decrease non-current assets.

The carrying values of property and equipment amounted to P90,541,500 and P84,200,014 as at December 31, 2015 and 2014, respectively (Note 10).

Impairment of non-financial assets

The Group assesses at each reporting period whether there is an indication that its property and equipment, investment properties and intangible assets may be impaired. If any such indications exist, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. At the financial reporting date, the Group 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.

Based on management's assessment, the carrying amounts of its non-financial assets are recoverable as of the financial reporting date. The net book values of property and equipment and investment properties are disclosed in Notes 10 and 9, respectively.

Estimation of the NRV of inventories

The Group provides an allowance to reduce inventories to NRV whenever the utility of inventories becomes lower than the cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The estimate of the NRV is reviewed regularly. The Group provided no allowance for inventory obsolescence as management believes that the recorded costs were lower than their net realizable values as at December 31, 2015 and 2014.

Contingencies

The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Group is a party to certain lawsuits or claims involving recoveries of sum of money arising from the ordinary course of business. However, the Group's management and legal counsel believe that the eventual liabilities under these lawsuits or claims, if any, will not have a material impact on the Group's financial statement. These are recognized in the books only when the claims are finally settled or when judgment is rendered.

NOTE 4 – CASH AND CASH EQUIVALENTS

This consists of:

	2015	2014
	(In Philippine Peso)	
Cash in banks	**442,230,366**	299,669,040
Petty cash, claims and revolving funds	**87,497,197**	48,944,549
Short-term time deposits	**1,130,575**	31,922,874
	530,858,138	380,536,463

Cash in banks represent savings and current deposits with commercial, trust companies, thrift banks, rural banks and cooperatives earned interest at the respective deposit rates which ranged from 1.15% to 6.00% both in 2015 and 2014. Short-term time deposits earned interest ranging from 1.25% in 2015 to 8.00% in 2014. Interest income earned from bank and cooperative deposit placements amounted to P4,980,264 in 2015 and P4,675,411 in 2014 (Notes 21).

NOTE 5 – INSURANCE RECEIVABLE

This account consists of:

Premiums receivable - net	**42,587,067**	13,219,425
Amounts recoverable from accepting companies	**19,486,295**	16,886,566
Automatic contribution loans of MAS members	**664,867**	572,036
Policy loans	**191,767**	163,729
	62,929,996	30,841,756

The Group provided allowance for impairment losses on its non-life premiums receivable amounting to nil in 2015 and P9,000,000 in 2014. The reconciliation of the account follows:

Balance, January 1	**15,387,275**	6,387,275
Provisions	**-**	9,000,000
Balance, December 31	**15,387,275**	15,387,275

The amount of automatic contribution loans of MAS members is chargeable against the equity value of the defaulting members' certificate, free of interest and other charges.

NOTE 6 – HELD-TO-MATURITY INVESTMENTS

These consist of:

	2015	2014
	(In Philippine Peso)	
Government bonds	**502,745,433**	520,281,189
Commercial papers	**156,680,708**	186,219,058
	659,426,141	706,500,247

Government bonds consist of 10-year peso-denominated bonds issued by the Philippine Government which bears interest rates ranging from 5.50% to 10.625% per annum maturing on various dates from 2015 to 2037. Commercial papers include time deposits with commercial and cooperative rural banks earning interest ranging from 6% to 8.5% per annum.

Total investment income earned amounted to P18,421,351 and P29,478,715 in 2015 and 2014, respectively (Note 21).

The following represents the fair values of investments in bonds by contractual maturity dates:

Due within 1 year	**108,308,091**	111,536,118
Due after 1 year through 5 years	**169,289,597**	101,089,077
Due after 5 years through 10 years	**381,828,453**	493,875,052
	659,426,141	706,500,247

The carrying amounts of the investments were determined to approximate their fair values as at December 31, 2015 and 2014.

NOTE 7 – AVAILABLE-FOR-SALE (AFS) FINANCIAL ASSETS

These consist of:

Equity managed funds	**328,194,427**	341,792,893
Equity securities (common shares)	**131,505,506**	39,299,083
	459,699,933	381,091,976

The equity in managed funds represents the fair values of investments administered by a bank. This consists substantially of the investments in corporate and government bonds and other debt instruments and short-term equity investments.

The investment in security equities represents equity investments in member cooperatives and organizations, which are accounted for in the books at cost, being less than 20% of the investees' total equity. The carrying amounts of security equities were determined to approximate their fair values at December 31, 2015 and 2014.

AFS securities were determined to have changed in value and losses amounting to P 3,356,295 and P944,927 in 2015 and 2014, respectively.

NOTE 8 – LOANS AND RECEIVABLES

These consist of:

	2015	2014
	(In Philippine Peso)	
Accounts receivable - others	**33,373,592**	7,096,549
Accrued investment income	**3,347,397**	2,476,808
Advances to officers and employees	**-**	393,762
	36,720,989	9,967,119

Accounts receivable- others

This represents the receivable from various accounts, mortgage loans and equity loans provided by the Group to its officers and employees.

Management believed that the foregoing accounts were not impaired as at December 31, 2015.

NOTE 9 – INVESTMENT PROPERTY - NET

The details of this account follows:

2015

	Land	**Building and improvements**	**TOTAL**
		(In Philippine Peso)	
Cost			
At January 1	4,446,000	38,250,100	42,696,100
Additions	65,310,771	393,431	65,704,202
At December 31	69,756,771	38,643,531	108,400,302
Accumulated Depreciation			
At January 1	-	1,747,897	1,747,897
Provisions	-	1,747,897	1,747,897
At December 31	-	3,495,794	3,495,794
Net Book Value	**69,756,771**	**35,147,737**	**104,904,508**

2014

Cost			
At January 1	4,446,000	36,829,259	41,275,259
Additions	-	1,420,841	1,420,841
At December 31	4,446,000	38,250,100	42,696,100
Accumulated Depreciation			
At January 1	-	-	-
Provisions	-	1,747,897	1,747,897
At December 31	-	1,747,897	1,747,897
Net Book Value	4,446,000	36,502,203	40,948,203

The investment property includes a piece of land with 2-storey building located along Tiano and Pacana Streets in Cagayan de Oro City which are being leased out to business establishments. Rental income earned on the property amounted to P1,519,303 and P1,399,050 in 2015 and 2014, respectively.

NOTE 10 - PROPERTY AND EQUIPMENT - NET

The details of property and equipment follow:

	Land and improvements	Building and improvements	Office furniture, fixtures & equipment	Transportation equipment	Construction in progress	TOTAL
			(In Philippine Peso)			
Cost						
At January 1, 2015	19,803,480	51,983,085	30,540,894	15,658,882	720,971	118,707,312
Additions	1,245,041	1,542,521	13,678,886	6,265,401	-	22,731,849
Disposal/Reclassification	-	720,971	-	(1,673,850)	(720,971)	(1,673,850)
At December 31, 2015	21,048,521	54,246,577	44,219,780	20,250,433	-	139,765,311
Accumulated depreciation						
At January 1, 2015	-	13,665,731	14,601,898	6,239,669	-	34,507,298
Provisions	3,281,750	1,814,255	7,964,301	2,678,918	-	15,739,224
Disposal/Reclassification	-	-	-	(1,022,711)	-	(1,022,711)
At December 31, 2015	3,281,750	15,479,986	22,566,199	7,895,876	-	49,223,811
Net Book Value	**17,766,771**	**38,766,591**	**21,653,581**	**12,354,557**	**-**	**90,541,500**
Cost						
At January 1, 2014	14,854,607	47,901,371	19,966,940	14,253,597	-	96,976,515
Addition	4,948,873	4,081,714	10,573,954	3,606,592	720,971	23,932,104
Disposal/Reclassification	-	-	-	(2,201,307)	-	(2,201,307)
At December 31, 2014	19,803,480	51,983,085	30,540,894	15,658,882	720,971	118,707,312

	Land and improvements	Building and improvements	Office furniture, fixtures & equipment	Transportation equipment	Construction in progress	TOTAL
			(In Philippine Peso)			
Accumulated depreciation						
At January 1, 2014	-	9,368,939	11,264,107	5,518,254	-	26,151,300
Provision	-	4,296,792	3,337,791	2,576,365	-	10,210,948
Disposal/Reclassification	-	-	-	(1,854,950)	-	(1,854,950)
At December 31, 2014	-	13,665,731	14,601,898	6,239,669	-	34,507,298
Net Book Value	19,803,480	38,317,354	15,938,996	9,419,213	720,971	84,200,014

The Group reclassified its construction in progress in 2014 to buildings at the end of 2015.

The management believes that there is no indication of impairment on the Group's property and equipment and that its net carrying amount can be recovered through use in operations.

NOTE 11– OTHER ASSETS

This account consists of:

	2015	2014
	(In Philippine Peso)	
Refundable deposits	**6,565,905**	4,285,987
Deferred debit	**2,034,643**	-
Retirement plan asset- net (Note 16)	**1,449,673**	3,039,795
Deposits and placements with banks under receivership	**299,941**	2,416,013
Others	**6,793,370**	3,517,811
	17,143,532	10,219,811

Refundable deposits

This represents the security rent deposit on investment properties of the Group that are refundable at the end of the contract.

Retirement plan asset

The Group has a qualified, noncontributory retirement plan covering substantially all of its employees. The Plan requires contribution to be made to administered funds (Note 16).

Deposits and placements with banks under receivership

The deposits and placements with banks under receivership have been processed for insurance claims from PDIC.

Others

This represents the prepayments of power, light and water, insurance and rent, accrual of rent income, computerization cost and other assets.

NOTE 12 – ACTUARIAL LIABILITIES AND OTHER POLICY LIABILITIES

The actuarial liabilities and other policy liabilities consist of the following:

Aggregate reserves for life policies	**391,939,634**	333,427,780
Unearned premium reserve	**73,377,043**	43,503,817
Total	**465,316,677**	376,931,597
Insurance payables	**220,069,267**	204,707,092
	685,385,944	581,638,689

Aggregate reserves for life policies

The amount of insurance contract liabilities (legal policy reserves) and other actuarial items in the financial statement for the years ended December 31, 2015 and 2014, have been computed and certified by the Consulting Agency of the Group to be in accordance with commonly accepted actuarial standards consistently applied and that the legal policy reserves and other actuarial items are fairly stated in accordance with sound actuarial principles.

Unearned premium reserve

This account represents the reserve established at the end of the year to represent premiums paid in advance for which protection is to be given in the future.

Insurance payables

Insurance payables include policy contract claims, claims in the course of the settlement and incurred by not reported claims.

NOTE 13 – TRADE AND OTHER PAYABLES

This account consists of:

	2015	2014
	(In Philippine Peso)	
Deferred premium income	**39,218,290**	-
Premium advance deposit	**26,566,172**	3,814,499
Accounts and accrued expenses	**83,565,434**	94,208,067
Endowment trust fund	**22,748,023**	18,302,111
Rental deposits	**827,811**	375,330
Deferred Credit	**813,563**	-
	173,739,293	116,700,007

Deferred premium income

This account represents the temporary account premium received by the Parent Cooperative that is identifiable to the member-cooperative contributions.

Premium advance deposit

This represents the overpayment of member-cooperative for the product availed.

Accounts and accrued expenses

This account represents various payables to suppliers, payable to collection agents and recognition of accrued expenses.

Endowment trust fund

This account represents the contributions of 60 member-cooperatives intended to finance the operations of CLIMBS Institute of Financial Literacy, an institute established by the Parent Cooperative in 2012 dedicated to respond to the training needs of the members.

NOTE 14 – SHARE CAPITAL

The Group's share capital consists of:

	2015	2014
	(In Philippine Peso)	
Preferred Shares - ₱ 1,000 Par Value		
Authorized – 200,000 shares		
Issued – 143,384 shares in 2015 and 90,996 shares in 2014	**143,384,000**	90,996,000
Common Shares - ₱ 1,000 Par Value		
Authorized – 800,000 shares		
Issued – 506,294 shares in 2015 and 339,148 shares in 2014	**506,294,000**	339,148,000
Treasury Stocks	**(5,317,966)**	(5,317,966)
Deposits for future subscriptions	**784**	630
	644,360,818	424,826,664

The reconciliation of the number of shares outstanding at the beginning and at the end of the financial reporting period follows:

Preferred shares

	2015	2014
Balance, January 1	**90,996**	80,906
Additional subscription/issuance	**52,388**	10,090
Balance, December 31	**143,384**	90,996

Common shares

	2015	2014
Balance, January 1	**339,148**	248,568
Additional subscription/issuance	**167,146**	90,580
Balance, December 31	**506,294**	339,148

The Group reacquired its 5,317 common shares amounting to P5,317,966 in 2014.

The Group is in compliance with the fixed capitalization requirements of Insurance Commission in 2015 and 2014 (Note 22).

NOTE 15 – STATUTORY RESERVES

The Cooperative's statutory reserves consist of the following:

General reserve fund	**53,202,209**	40,913,637
Cooperative education and training fund	**14,604,412**	1,553,711
Optional fund	**38,505,535**	29,903,534
Community development fund	**10,435,742**	7,065,468
	116,747,898	93,422,350

In accordance with the Group's By-Laws, the General Reserve Fund (GRF), which receives 10% allocation every year from the net surplus of the Group, is intended for the stability of the Group and to meet net losses in its operations. The General Assembly may decrease the amount allocated to GRF when the Fund already exceeds the share capital. Such excess may be used at anytime, upon the resolution of the General Assembly, for any project that would expand the operations of the Group. The Fund shall not be utilized for investments other than those allowed by the Cooperative Code. Any sums recovered on items previously charged to the Fund shall be credited back to the Fund. Upon the dissolution of the Group, the General Reserve Fund shall not be distributed to members. The General Assembly may resolve to establish a usufructuary fund for the benefit of any federation or union to which the Group is affiliated, and to donate, contribute, or otherwise dispose of the amount for the benefit of the community where the Group operates. If the General cannot decide upon the disposal of the Fund, the same shall go to the federation or union to which the Group is affiliated.

The Cooperative Education and Training Fund (CETF), which also receives 10% allocation from the net surplus of the Group every year, is intended for the education and training and other purposes of the Group. Half of the allocation to the Fund is remitted to the CETF of the federation or union to which the Group is affiliated. Upon the dissolution of the Group, the unspent balance of the Fund shall be credited to the CETF of the federation or union to which the Group is affiliated.

The Optional Fund also receives not more than 7% allocation from the net surplus of the Group every year, intended for land and building, and other necessary funds.

NOTE 16 – RETIREMENT

The Group Employees Retirement Plan is non-contributory and discount benefits provided by the plan using the Projected Unit Credit Method covering all regular and full-time employees entitled to all benefits provided for under the policies formulated by BOD with consideration to RA No. 7641. Contribution and cost are determined in accordance with actuarial studies made for the plan.

The actuarial valuation of plan assets and the present value of the defined benefit obligation as of December 31, 2015 were done by an independent actuary on March 16, 2016.

The principal annual actuarial assumptions used in determining retirement benefit obligation of the Group for the year ended December 31, 2015 and 2014 follow:

	2015	2014
Discount rate	**5.13%**	**4.66%**
Future salary increase	**5%**	**5%**
Average remaining working lives of employees	**17.24 years**	**19.17 years**

The overall expected rate of return on plan assets is determined based on market prices prevailing on that date applicable to the year over which the obligation is to be settled.

The sensitivity analysis below had been determined based on the reasonably possible changes in the significant assumption on the retirement benefit obligation as at December 31, 2015, assuming if all other assumptions were held constant:

	Change in assumption	**Defined benefit obligation (DBO)**	**Increase (decrease) in DBO**
		(in Philippine Peso)	
Discount rate	**Decrease by 1%**	**14,850,633**	**2,074,705**
Salary increase rate	**Increase by 1%**	**14,691,665**	**1,915,707**
Mortality rate	**Increase by 10%**	**12,676,090**	**(99,868)**

Shown below is the maturity analysis of the undiscounted benefit payments:

	2015	2014
	(In Philippine Peso)	
Year 1	**1,457,848**	264,533
Year 2	**371,376**	1,419,787
Year 3	**529,049**	351,122
Year 4	**499,331**	506,624
Year 5	**825,340**	432,242
Year 6	**1,223,533**	709,160
Year 7	**2,265,666**	1,007,122
Year 8	**1,088,232**	2,110,550
Year 9	**1,187,508**	9,424,600
Year 10	**2,456,237**	1,057,043
	11,904,120	17,282,783

Retirement asset recognized in the statement of financial condition as of December 31, 2015 follows:

Present value of obligation	**12,775,958**	11,293,897
Fair value of plan assets	**14,225,631**	14,333,692
	(1,449,673)	(3,039,795)

Changes in the present value of retirement benefit obligation follow:

At January 1	**11,293,897**	10,064,283
Current service cost	**1,475,321**	1,321,041
Interest cost	**526,485**	483,488
Actuarial gain	**(519,745)**	(574,915)
At December 31	**12,775,958**	11,293,897

Changes in the fair value of plan assets follow:

At January 1	**14,333,692**	13,134,192
Actual return	**(108,061)**	1,199,500
At December 31	**14,225,631**	14,333,692

Retirement expense recognized in the statement of comprehensive income as of December 31, 2015 and 2014 follows:

Current service cost	**1,475,321**	1,321,041
Interest cost	**(141,706)**	(147,478)
	1,333,615	1,173,563

NOTE 17 – DETAILS OF GENERAL AND ADMINISTRATIVE EXPENSES

The details of the account follow:

	2015	2014
	(In Philippine Peso)	
General support services	**14,954,624**	13,681,917
Advertising, promotion and networking	**11,799,553**	5,202,397
Travel and transportation	**9,726,749**	9,811,169
Meetings, conferences and general assembly	**9,395,859**	7,136,913
Office supplies	**4,680,152**	4,003,756
Rent	**3,499,447**	2,533,269
Communications	**3,447,179**	2,571,347
Repairs and maintenance	**3,088,897**	1,883,152
Light and power	**2,489,400**	2,124,408
License fees and membership dues	**1,090,215**	397,553
Taxes and licenses	**920,617**	221,350
Insurance	**457,198**	530,540
Bank charge	**337,536**	49,270
Provision for probable losses on premiums receivable (Note 5)	**-**	9,000,000
Miscellaneous	**1,771,849**	2,535,125
	67,659,275	61,682,166

NOTE 18 – DETAILS OF SALARIES, WAGES AND OFFICERS' AND EMPLOYEES' BENEFIT

The details of the account follow:

Salaries and wages	**30,376,287**	25,378,741
Uniforms and other employees' benefit	**19,650,059**	12,424,194
SSS, PHIC and HDMF counterpart contributions	**2,333,528**	1,862,215
Retirement contributions (Note 16)	**1,333,615**	1,173,563
	53,693,489	40,838,713

NOTE 19 – RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

In the ordinary course of its operations, the Group transacts directly or indirectly with its related parties. Significant related party transactions include the following:

Significant transactions with related parties

a. The significant transactions with related parties and their effect on the Group's financial statements for the years ended December 31, 2015 and 2014 follow:

Related Parties	**Cut-off Period**	**Gross earned premiums on insurance contracts**
		(In Philippine Peso)
Member	**December 31, 2015**	**842,015,311**
	December 31, 2014	783,827,458

Related Parties	Cut-off Period	Gross earned premiums on insurance contracts
		(In Philippine Peso)
Officers	**December 31, 2015**	**-**
	December 31, 2014	393,762
	December 31, 2015	**842,015,311**
	December 31, 2014	784,221,219

b. The amount of outstanding balances, including their terms and conditions, security, and the nature of the consideration to be provided in settlement, and details of any guarantees given or received are as follows:

Related Parties	Relationship	Cut-off Period	Premium receivable	Terms and Conditions	Nature of Consideration to be Provided Upon Settlement
Member	Officers	**December 31, 2015**	**19,418,684**		**Cash**
		December 31, 2014	9,288,433		Cash

No allowances for probable losses were provided for loans to related parties as at December 31, 2015 and 2014.

Key management compensation

Compensation of the Group's key management personnel consists of salaries and wages and other short-term benefits amounted to P3,952,260 and P3,355,693 for the years ended December 31, 2015 and 2014, respectively.

NOTE 20 – RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through process of ongoing identification, measurement and monitoring subject to risk limits and other controls.

Risk management is carried out by the management under policies approved by the BOD. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as liquidity risk, credit risk, interest rate risk and investment of excess liquidity taking into consideration laws, rules, regulations and principle. The Group is principally exposed to the following risks:

Insurance risk

Insurance risk is the risk that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. Management addresses this issue by ceding portion of the risk to a reinsurer. The Group has reinsurance agreements with Alpha Insurance, Malayan Insurance Charter Ping-an Insurance, Stronghold Insurance, and Paramount Life and General Insurance, however, the Group is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to the reinsurance ceded, to the extent that the reinsurer is unable to meet its obligation assumed under such reinsurance agreements.

Investment risk

The investment risk represents the exposure to loss resulting from cash flows from invested assets, primarily long-term fixed rate investments, being less than the cash flows required to meet the obligations of the expected policy and contract liabilities and the necessary return on investments. Additionally, there exists a future investment risk associated with certain policies currently in force which will have premium receipts in the future, that is, the investment of those future premium receipts may be at yield below that required to meet future policy liabilities. To maintain an adequate yield to match the interest necessary to support future policy liabilities, management focus is required to reinvest the proceeds of the maturing securities and to invest the future premium receipts while continuing to maintain satisfactory investment quality. The Group uses asset-liability matching as a management tool to determine the composition of the invested assets and appropriate investment and marketing strategies. As part of these strategies, the Group may determine that it is economically advantageous to be temporarily in an unmatched position due to anticipated interest rate or other economic changes.

Underwriting risk

Underwriting risk represents the exposure to loss resulting from actual policy experience adversely deviating from assumptions made in the product pricing. The Group's underwriting strategy is designed to ensure that the risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geographical locations, the use of medical screening in order to ensure that pricing takes account of current health conditions and family history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria.

Financial risk

The Group is exposed to financial risk through its financial assets, financial liabilities, insurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. To mitigate the effects of financial risks, the Group does not actively engage in the trading of financial assets. It does not also write options. It has no significant exposure to foreign currency risks as most transactions are denominated in Philippines peso, its functional currency.

Credit risk

Credit risk is the risk that counterparty will default and or fail to honor its financial or contractual obligations, resulting in financial loss to the Group.

The Group's policies and procedure are placed to manage its credit risks: (a) Net exposure limit are set for each counterparty or group of counterparties and industry segment (i.e. limits are set for investment and cash deposits, foreign exchange rate exposures and minimum credit rating for investments that may be held); (b) guidelines are provided to determine when to obtain collateral and guarantees; and (c) maximum amounts and limits that may be advances to corporate counterparties by reference to their long term credit ratings are also set.

The Group's maximum exposure to credit risk before collateral held or other credit enhancements as at December 31 follows:

	2015	2014
	(In Philippine Peso)	
Cash and cash equivalents (Note 4)	**530,858,138**	380,536,463
Premium receivables (Note 5)	**62,929,996**	30,841,756
Held to maturity investments (Note 6)	**659,426,141**	706,500,247
Available for sale securities (Note 7)	**459,699,933**	381,091,976
Loans and receivables (Note 8)	**36,720,989**	9,967,119
	1,749,635,197	1,508,937,561

Aging analysis and credit quality per class of financial assets

The credit quality of financial assets is determined based on the Group's historical experience and nature of the counterparty.

The table below shows the aging analysis and the credit quality by class of financial assets (gross of allowance for probable losses) as at December 31, 2015 and 2014.

	December 31, 2015				
			Past due but not impaired		Impaired
	Total	Neither past due nor impaired	(1-30 days)	31-365 days	More than 365 days
			(In Philippine Peso)		
Cash and cash equivalents (Note 4)	**530,858,138**	**530,858,138**			
Premium receivables (Note 5)	**62,929,996**	**62,929,996**			
Held to maturity investments (Note 6)	**659,426,141**	**659,426,141**			
Available for sale securities (Note 7)	**459,699,933**	**459,699,933**			
Loans and receivables (Note 8)	**36,720,989**	**36,720,989**			
	1,749,635,197	**1,749,635,197**			
			December 31, 2014		
			(In Philippine Peso)		
Cash and cash equivalents (Note 4)	380,536,463	380,536,463	-	-	-
Premium receivables (Note 5)	30,841,756	30,841,756	-	-	-
Held to maturity investments (Note 6)	706,500,247	706,500,247	-	-	-
Available for sale securities (Note 7)	381,091,976	381,091,976	-	-	-
Loans and receivables (Note 8)	9,967,119	9,967,119	-		
	1,508,937,561	1,508,937,561	-	-	-

The tables below show the credit quality by class of neither past due nor impaired financial assets (gross of allowance for probable losses) as of December 31, 2015 and 2014:

	December 31, 2015			
	Neither past due nor impaired	High grade	Standard grade	Substandard grade
		(In Philippine Peso)		
Cash and cash equivalents (Note 4)	**530,858,138**	-	-	-
Premium receivables (Note 5)	**62,929,996**	-	-	-
Held to maturity investments (Note 6)	**659,426,141**	-	-	-
Available for sale securities (Note 7)	**459,699,933**	-	-	-
Loans and receivables (Note 8)	**36,720,989**	-	-	-
	1,749,635,197	-	-	-
		December 31, 2014		
Cash and cash equivalents (Note 4)	380,536,463	380,536,463	-	-
Premium receivables (Note 5)	30,841,756	30,841,756	-	-
Held to maturity investments (Note 6)	706,500,247	706,500,247	-	-
Available for sale securities (Note 7)	381,091,976	381,091,976	-	-
Loans and receivables (Note 8)	9,967,119	-	9,967,119	-
	1,508,937,561	1,498,970,442	9,967,119	-

Liquidity risk

Liquidity risk is the risk from inability to meet obligations when they become due because of inability to liquidate assets or obtain adequate funding.

The Group's objective to manage its liquidity profile are: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; and c) to be able to access funding when needed at the least possible cost.

The Group seeks to manage its liquidity profile to be able to finance its operation and capital expenditures. To cover its financing requirements, it intends to use internally generated funds and proceeds from investments and assets. Management also monitors the market price risk arising from all financial instruments.

The analysis of maturity profile of the Group's financial assets and liabilities as at December 31, 2015 and 2014 follows:

	December 31, 2015		
		Maturity	
	Within 1 year	Beyond 1 year	Total
		(In Philippine Peso)	
Cash and cash equivalents (Note 4)	**530,858,138**	-	**530,858,138**
Premium receivables (Note 5)	**46,686,087**	**16,243,909**	**62,929,996**
Held to maturity investments (Note 6)	**108,308,091**	**551,118,050**	**659,426,141**
Available for sale securities (Note 7)	**459,699,933**	-	**459,699,933**
Loans and receivables (Note 8)	**3,347,397**	**33,373,592**	**36,720,989**
	1,148,899,646	**600,735,551**	**1,749,635,197**
Insurance contact liabilities (Note 12)	**465,316,677**	**-**	**465,316,677**
Insurance payables (Note 12)	**220,069,267**	**-**	**220,069,267**
Trade and other payables (Note 13)	**173,739,293**	**-**	**173,739,293**
Interest on cap.,patrng/exp refund payable (Note 1)	**73,731,433**	**-**	**73,731,433**
	932,856,670	**-**	**932,856,670**
	216,042,976	**600,735,551**	**813,778,527**
	December 31, 2014		
Cash and cash equivalents (Note 4)	380,536,463	-	380,536,463
Premium receivables (Note 5)	21,589,229	9,252,527	30,841,756
Held to maturity investments (Note 6)	111,536,118	594,964,129	706,500,247
Available for sale securities (Note 7)	381,091,976	-	381,091,976
Loans and receivables (Note 8)	5,980,271	3,986,848	9,967,119
	900,734,057	608,203,504	1,508,937,561
Insurance contact liabilities (Note 12)	376,931,597	-	376,931,597
Insurance payables (Note 12)	204,707,092	-	204,707,092
Trade and other payables (Note 13)	116,700,007	-	116,700,007
Interest on cap.,patrng/exp refund payable (Note 1)	63,019,943		63,019,943
	761,358,639	-	761,358,639
	139,375,418	608,203,504	747,578,868

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 Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group is subject to certain market risks, including risks from changes in interest rates and currency exchange rates. There have been no changes to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency risk

Currency risk arises when transactions are denominated in foreign currencies.

The Group is not exposed to significant foreign currency risk given that financial assets and liabilities are denominated in the Group's functional currency.

NOTE 21 – FINANCIAL INSTRUMENTS

Categories of financial assets and financial liabilities

The following tables summarize the carrying values and fair values of the Group's financial assets and financial liabilities by class:

	December 31, 2015		December 31, 2014	
	Carrying values	**Fair values**	Carrying values	Fair values
Cash and cash equivalents (Note 4)	**530,858,138**	**530,858,138**	380,536,463	380,536,463
Premium receivables (Note 5)	**62,929,996**	**62,929,996**	30,841,756	30,841,756
Held to maturity investments (Note 6)	**659,426,141**	**659,426,141**	706,500,247	706,500,247
Available for sale securities (Note 7)	**459,699,933**	**459,699,933**	381,091,976	381,091,976
Loans and receivables (Note 8)	**36,720,989**	**36,720,989**	9,967,119	9,967,119
	1,749,635,197	**1,749,635,197**	1,508,937,561	1,508,937,561
Insurance contact liabilities (Note 12)	**465,316,677**	**465,316,677**	376,931,597	376,931,597
Insurance payables (Note 12)	**220,069,267**	**220,069,267**	204,707,092	204,707,092
Trade and other payables (Note 13)	**173,739,293**	**173,739,293**	116,700,007	116,700,007
Interest on cap.,patrng/exp refund payable (Note 1)	**73,731,433**	**73,731,433**	63,019,943	63,019,943
	932,856,670	**932,856,670**	761,358,639	761,358,639

The methods and assumptions used by the Group in estimating the fair value of financial instruments follow:

Cash in banks, receivables, advances to land-owner and supplier, interest on share capital, accounts payable and accrued expenses. Carrying amounts approximate its fair values in view of the relatively short-term maturities of these financial instruments.

The fair value of loans payable is based on its carrying amount which approximates the discounted value of future cash flows using interest rates ranging from 6% to 10%.

Items of income, expense, gains or losses on financial assets and financial liabilities

Items of income, expense, gains or losses recognized with respect to financial assets and financial liabilities in the statement of operations follow:

	2015	2014
	(in Philippine Peso)	
Total interest income on financial assets measured at amortized cost		
Investment income (Note 6)	**18,421,351**	29,478,715
Cash in banks (Note 4)	**4,980,264**	4,675,411
	23,401,615	34,154,126

The Group had no financial instruments, other assets or liabilities with non-recurring fair value measurements or with fair values disclosed fell under levels 1 and 3 category as at December 31, 2015 and 2014. There were no transfers from and out of level 2 to other category levels during the year 2015.

The following tables summarize the carrying amounts and fair values of the Group's assets and liabilities which are either measured at fair value or for which fair values are disclosed:

	December 31, 2015				
		Fair Value			
	Carrying value	**Level 1**	Level 2	Level 3	Total Fair Value
			(In Philippine Peso)		
ASSETS FOR WHICH FAIR VALUES ARE DISCLOSED					
Financial assets					
AFS financial assets	459,699,933	459,699,933	-	-	459,699,933
Non-financial assets					
Investment properties	104,904,508	-	104,904,508	-	459,699,933
			December 31, 2014		
			(In Philippine Peso)		
ASSETS FOR WHICH FAIR VALUES ARE DISCLOSED					
Financial assets					
AFS financial assets	381,091,976	381,091,976	-	-	381,091,976
Non-financial assets					
Investment properties	40,948,203	-	40,948,203	-	40,948,203

NOTE 22- CAPITAL MANAGEMENT

The Group maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect its members. The Group's BOD reviews regularly its capital structure and considers the cost of capital and the risks associated with each class of capital. The level of capital maintained is usually higher than the minimum capital requirements set by the IC and the amount computed under the Risk-Based Capital (RBC) Model. The Group fully complied with the externally imposed capital requirements during the reported financial periods. These are the margin of solvency (MOS), fixed capitalization requirements and RBC requirements.

Margin of solvency

Under the Insurance Code, the insurance company doing business in the Philippines shall maintain at all times a MOS equal to P500,000 or 10% of the total amount of its net premium written during the year, whichever is higher. The MOS shall be the excess of the value of the admitted assets (as defined under the Insurance Code), exclusive of its paid-up capital over the amounts of its liabilities, unearned premiums and reinsurance reserves. The final amount of the MOS can be determined only after the accounts of the Group have been examined by the IC especially as to admitted or non-admitted assets as defined in the Insurance Code.

Fixed capitalization requirements

In September 2006, the Department of Finance (DOF) issued Order 27-06, increasing the capitalization requirements for life, non-life and reinsurance companies on a staggered basis for the years ended December 31, 2016 up to 2011. Depending on the level of foreign ownership in the insurance company, the minimum statutory net worth and minimum paid-up capital requirements vary. The statutory net worth shall include the company's paid-up capital, capital in excess of par value, contingency surplus, retained earnings and revaluation increments as may be approved by the IC. The minimum paid-up capital is pegged at 50% of the minimum statutory net worth.

On June 1, 2012, the DOF Order No. 15-2012 was issued establishing the minimum paid-up capital (PUC) requirements of all insurance and professional reinsurance companies doing business in the Philippines.

In accordance with DO No. 15-202, an existing or licensed life or nonlife insurance company must have a PUC in accordance with the amounts and schedule of compliance as follows:

(In Philippine Peso)	
250,000,000	On or before December 31, 2012
400,000,000	On or before December 31, 2014
600,000,000	**On or before December 31, 2016**
800,000,000	On or before December 31, 2018
1,000,000,000	On or before December 31, 2020

On August 15, 2013, the Congress of the Philippines approved Republic Act No. 10607 "An Act Strengthening the Insurance Industry, Further Amending Presidential Decree No. 612, Otherwise known as "Insurance Code", as amended by Presidential Decree Nos. 1141, 1280, 1455, 1460, 1814, and 1981, and Batas Pambansa Blg. 874,, which superseded DO No. 15-2012, and which requires domestic life and non-life insurance companies engaged in business in the Philippines to possess paid-up capital of at least P1.0 billion. For domestic insurance companies already doing business in the Philippines, the law requires them to have a net worth by June 30, 2013 of P250,000,000. Furthermore, said company must have by December 31, 2016, an additional P300,000,000 in net worth; by December 31, 2019, and additional P350,000,000 in net worth and by December 31, 2022, and additional P400,000,000 in net worth.

In accordance with Chapter XIII- Insurance Cooperative Code, Article 107, of Republic Act No. 9520, "An Act Amending the Cooperative Code of the Philippines to be known as the "Philippine Cooperative Code of 2008", the requirements on capitalization, investments and reserves of insurance firms may be liberally modified upon consultation with the CDA and the Cooperative sector. But in no case may the requirements be reduced to less than half of those provided for under the Insurance Code and other related laws. The Republic Act 10607, however, has not addressed this matter.

At the end of 2015, the Group's paid up capital amounted to P644,360,818, an amount more than the requirement of Republic Act 10607 for paid up capital on or before December 31, 2016.

RBC requirements

In October 2006, the IC issued IMC No. 7-2006 adopting the risk-based capital framework for the life insurance industry to establish the required amounts of capital to be maintained by the companies in relation to their investment and insurance risks. Every life insurance company is annually required to maintain a minimum RBC ratio of 100% and not to fail the trend test. Failure to meet with the minimum RBC ratio shall subject the insurance company to the corresponding regulatory intervention which has been defined at various levels.

The Group's RBC ration can be determined only after considering the admitted value of certain financial statement accounts and these are normally determined after the examination of the Insurance Commission.

NOTE 23 - EVENT AFTER THE REPORTING PERIOD

The financial statements in 2015 were approved for final release by the Board of Directors (BOD) in its meeting held on March 29, 2016.

CLIMBS SHARE CAPITAL EQUITY INVESTMENT CORPORATION (CSCEIC)
CLIMS INVESTMENT MANAGEMENT AND ADVISORY CORPORATION (CIMAC)

REPORT AND UPDATES
As of April 15, 2016

Mutual Fund Updates

Operations

- Portfolio and Back Office computing systems have been installed and fully functional. Training and parallel runs have been completed. Actual production of daily Net Asset Value Per Share (NAVPS) is ongoing.
- CLIMBS Investment Management & Advisory Corporation (CIMAC), through Philippine Financial Advisers (PFA), is replying to the second set of comments of the SEC's Corporate Governance and Finance Department.
- CLIMBS Investment Management & Advisory Corporation (CIMAC), through PFA, is also responding to the first set of comments of the Licensing Division of the SEC's Company Regulation and Monitoring Department.

Personnel

- The replacement for the late Judge Esperanza Garcia has been appointed in the person of Atty. Manolette F. E. Dinsay.
- The full complement of the Board of Directors and Officers of the CLIMBS Share Capital Equity Investment Corporation (CSCEIC) is as follows:

Name	Position
Atty. Manolette F. E. Dinsay	Chairman
Mansueto V. Dela Peña	President and Chief Executive Officer
Eric F. Dizon	Director
Garibaldi O. Leonardo	Director
Teodoro A. Balanay, Jr.	Director
Lorna A. Gesultura	Director
Lalaine Y.Gepaya	Director
Edgar V. Comeros	Independent Director
Recaredo G. Borgonia	Independent Director
Lillian D. Silubrico	Treasurer
Admarie D. Marcelo, CPA	Compliance Officer
Judge Antonio Manuel A. Alcantara (Ret)	Corporate Secretary

- The full complement of the Board of Directors and Officers of the CLIMBS Investment Management & Advisory Corporation (CIMAC) is as follows:

Name	Position
Fermin L. Gonzales	Chairman
Jorge G. Lumasag, Jr.	President and Chief Operations Officer
Francis C. Loque	Director
Dr. Eufemio L. Calio	Director
Floriano R. Hilot	Director
Atty. Daniel O. Evangelio, Jr.	Director
Atty. Casimiro B. Juarez, Jr.	Director
Sofronio V. Talisic	Independent Director
Edgardo D. Layug	Independent Director
Jeanne S. Ong	Treasurer
Reynaldo G. San Andres	Compliance Officer
Teddy A. Obsina	Investment Manager

Marketing

CLIMBS Investment Management and Advisory Corporation (CIMAC) has already been conducting marketing roadshows in preparation for the launch of the CLIMBS Share Capital Equity Investment Corporation (CSCEIC). Places where such roadshows have been conducted are:

AREA	NUMBER OF COOPS IN ATTENDANCE	NUMBER OF PARTICIPANTS	LEVEL OF INTEREST TO INVEST IN MUTUAL FUND
LUZON	47	87	81.66%
VISAYAS	58	94	87.67%
MINDANAO	128	243	85.29%

Finance

CLIMBS Share Capital Equity Investment Corporation (CSCEIC) was incorporated last November 02, 2015 with an authorized capitalization of PHP1,144,731,000 and a paid in capital with Additional Paid in Capital (APIC) of PHP286,182,750. The CLIMBS Investment Management & Advisory Corporation (CIMAC) will be incorporated with a paid in capital of Php10 million.

Financial Highlights *(As of April 15, 2016)*

TOTAL NUMBER OF COOP INVESTORS	**34**
TOTAL NUMBER OF INDIVIDUAL INVESTORS	**4**
TOTAL AMOUNT OF MUTUAL FUND INVESTMENTS	**PHP 303,807,769.00**
TOTAL AMOUNT OF COOP INVESTMENTS	**PHP 303,616,625.59**
TOTAL AMOUNT OF INDIVIDUAL INVESTMENTS	**PHP 191,143.41**
TOTAL INTEREST INCOME EARNED (Savings, TIT and Time Deposits)	**PHP 2,475,426.33**

Office Information

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Contact Persons: **Mr. Jorge G. Lumasag, Jr.**
President and COO, CIMAC

Mr. Teddy A. Obsina
Investment Manager, CIMAC

Schedule of Activities

CLIMBS 44th ANNUAL GENERAL ASSEMBLY

April 30, 2016 | Radisson Blu Hotel Cebu

"Resilient Cooperativism Amidst Climate Change"

APRIL 29, 2016

1:00 PM - 5:30 PM	Registration
5:30 PM	Dinner
6:15 PM	CLIMBS' Awards Night

APRIL 30, 2016

6:00 AM	REGISTRATION	
7:00 AM	HOLY MASS	
8:05 AM	OPENING CEREMONIES	
8:30 AM	BUSINESS FORUM	
	CDA Chairperson: Hon. Orlando R. Ravanera's Talk on Climate Change	
	CIMAC Presentation	
	CLIMBS Updates and Projects for 2016	
	WORKING SNACKS	
	RAFFLES	
10:30 AM	ELECTION UPDATES	
	By The Election Committee	
11:45 AM	LUNCH	
	RAFFLES	
12:30 PM	GA PROPER	
	Opening Remarks	MGEN. GILBERT S. LLANTO (RET.)
	Introduction of the Keynote Speaker	MGEN. GILBERT S. LLANTO (RET.)
	Keynote Speech	IC COMMISSIONER: HON. ATTY. EMMANUEL F. DOOC OFFICE OF THE INSURANCE COMMISSION
	ASSEMBLY PROPER	
	WORKING SNACKS	
4:00 PM - 5:30 PM	ELECTION	
	Voting	
	Declaration of Winners	
6:00 PM	TRIBUTE TO JUDGE ESPERANZA "MA'AM INDAY" FIEL-GARCIA (RET.)	
	Opening Song	RICO J. PUNO
	Video Loop	
	Eulogy	VICTO - MR. EDGAR V. COMEROS CLIMBS - MGEN. GILBERT S. LLANTO (RET.) - MR. FERMIN L. GONZALES CFI - JUDGE TERESITA A. GALANIDA
	Presentation of Hall of Fame Award	
	Acceptance Speech	CONG. PABLO "PABLING" P. GARCIA
	Special Song (Ma'am Inday's Favorite)	
7:00 PM	DINNER	
8:00 PM	RAFFLE DRAW	
	RICO J. PUNO'S MINI-CONCERT	
10:00 PM	SOCIALS	

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LINKAGES

Cooperative Development Authority - Website: www.cda.gov.ph
Insurance Commission - Website: www.insurance.gov.ph
International Cooperative Mutual Insurance Federation - Website: www.icmif.org
Asia Oceana Association - Website: www.aoa-icmif.org
National Federation and Confederation of Cooperatives in the Philippines
Mass-Specc Cooperative Development Center - Website: www.mass-specc.coop
National Confederation of Cooperatives(NATCCO) - Website: www.natcco.coop

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Website: http://www.plia.org.ph

Philippine Insurer & Reinsurers Association
Website: http://www.pirainc.org

Philippine Chamber of Commerce
Website: http://www.philippinechamber.com

People Management Association of the Philippines
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