

17. Significant Agreements

Loan agreement

In 2015, the Association entered into a loan agreement with KGI whereby the Association grants KGI a revolving credit line in total principal amount of ₱13,000,000 which bears an interest of 6% per annum, payable upon maturity. The loan may be availed by KGI from January to October 2015 and all availments shall be subject to availability of Association's funds. In December 2015, KGI paid the full amount of ₱13,000,000. Interest income from the loan amounted to ₱727,500 and ₱295,000 in 2015 and 2014, respectively (see Note 15).

On December 29, 2015, the Association entered into a loan agreement with KGI whereby the Association grants a loan to KGI amounting to ₱200,000 which bears an interest of 6% per annum, payable upon maturity on November 30, 2016.

Operating leases - Association as lessee

In 2014, the Association entered into an operating lease agreement for its office space for a period of seventeen (17) months commencing on August 1, 2014 and ended on December 31, 2015. Rent expense pertaining to this lease agreement amounting to ₱240,000 is recorded under "General and Administrative Expenses" of the statements of comprehensive income in 2015 and in 2014 (see Note 16). As of December 31, 2015, the Association has renewed the lease agreement. The renewed period of lease is for one year commencing on January 1, 2016 to December 31, 2016.

18. Income Taxes

Provision for income tax consists of final tax from interest income on short-term investments and cash in banks (see Note 15). Final tax amounted to ₱67,944 and ₱46,488 in 2015 and 2014, respectively.

19. Related Party Transactions

Parties are 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 and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

The significant transactions of related parties consist of premium collections made by the branches of KGI on behalf the Association and loans granted by the Association to KGI. Details follow:

	Amount/Volume		Outstanding		Terms	Conditions
	2015	2014	2015	2014		
KGI						
Due from MFI branches	₱24,969,475	₱26,505,400	₱5,027,800	₱5,263,458	Noninterest-bearing, payable on demand	Unsecured
Loan receivable	₱13,200,000	₱12,600,000	200,000	—	Interest at 6% per annum	Unsecured

