

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
FIDELITY LIFE MUTUAL BENEFIT ASSOCIATION INC.
9F King's Court 1 Bldg., 2129 Don Chino Roces Ave., Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of FIDELITY LIFE MUTUAL BENEFIT ASSOCIATION INC. which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017 and its financial performance and its cash flows for the year ended in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs).

Basis for Opinion

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

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is

sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

Report on the Supplementary Information Required Under Revenue Regulation (RR) 15-2010

The supplementary information required under Revenue Regulations 15-2010 for purposes of filing with the Bureau of Internal Revenue is presented by management of the Company in a separate schedule. Revenue regulations 15-2010 requires the information to be presented in the notes to financial statements. Such information is not a required part of the basic financial statements. The information is also not required by Securities Regulation Code Rule 68, As Amended (2011). Our opinion on the basic financial statements is not affected by the presentation of the information in a separate schedule.

E. P. DE GUZMAN & COMPANY
TIN: 239-187-805


ESTRELLITA G. DEL ROSARIO
Partner

CPA Certificate No. 14705
PTR No. 7378375C, January 09, 2019, Quezon City
TIN: 106-090-137
BIR AN-07-001846-003-2018, issued on 08/30/2018, valid until 08/30/2021 (individual)
BIR AN-07-001845-004-2018, issued on 08/30/2018, valid until 08/30/2021 (firm)
BOA/PRC Reg. No. 2190, effective until August 5, 2021



Quezon City, Metro Manila
April 24, 2019

E. P. De Guzman & Company

Certified Public Accountant

PRC-BOA Accreditation No. 2190
BIR AN-07-001845-004-2018
43 Sgt. Ybardolaza St., Sacred Heart, Quezon City
Tel. 922-7246, 929-3139
E-Mail Address: epdeguzmanandcompany@gmail.com

STATEMENT OF REPRESENTATION

TO THE SECURITIES AND EXCHANGE COMMISSION:

In connection with my examination of the financial statement of **FIDELITY LIFE MUTUAL BENEFIT ASSOCIATION INC.** which is to be submitted to the Commission, I hereby represent the following:

1. That said financial statements are presented in conformity with generally accepted accounting principles in all cases where I shall express an unqualified opinion; Except that in case of any departure from such principles, I shall indicate the nature of the departure, the effects thereof, and the reasons why compliance with the principles would result in a misleading statement, if such is a fact;
2. That I shall fully meet the requirements of independence as provided in Section 14 under the Code of Professional Ethics for CPA's;
3. That in the conduct of the audit, I shall comply with the generally accepted auditing standards in the Philippines promulgated by the Board of Accountancy; in case of any departure from such standards or any limitation in the scope of my examination, I shall indicate the nature of the departure and the extent of the limitation, the reasons thereof and the effects thereof on my expression of my opinion or which may necessitate the negation of the expression of an opinion; and
4. That relative to the expression of my opinion on the said financial statements, I shall not commit any acts discreditable to the profession as provided under the Code of Professional Ethics for CPA's.

As a CPA engaged in public practice, I make this representation in my individual capacity.

E. P. DE GUZMAN & COMPANY

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SUPPLEMENTAL WRITTEN STATEMENT

The Board of Trustees
FIDELITY LIFE MUTUAL BENEFIT ASSOCIATION INC.
9F King's Court 1 Bldg., 2129 Don Chino Roces Ave., Makati City

We have examined the financial statement of FIDELITY LIFE MUTUAL BENEFIT ASSOCIATION INC. for the year ended December 31, 2018, on which we have rendered the attached report dated April 24, 2019.

In compliance with SRC Rule 68, we are stating that the said company has a total number of _____ () trustees owning one hundred (100) or more shares each.

E. P. DEGUZMAN & COMPANY
TIN: 239-187-805


ESTRELLITA G. DEL ROSARIO

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Quezon City, Metro Manila
April 24, 2019

The Bureau of Internal Revenue
RDO No. 48
Gil Puyat, Makati City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of **Fidelity Mutual Life Inc.** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2016. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited to, the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns. //

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2018 and the accompanying Annual Income Tax Return are in accordance with the books and records of **Fidelity Mutual Life Inc.** complete and correct in all material respects. Management likewise affirms that:

(a.) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b.) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c.) the **Fidelity Mutual Life Inc.** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.



Louis Bartolome Borja
CFO



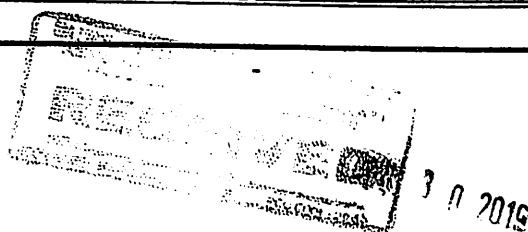
Rizal Antonio Meru
Corporate Treasurer

FIDELITY MUTUAL LIFE BENEFIT ASSOCIATION INC (Formerly : Fidelity Mutual Life Inc.)

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

(Amounts in Philippine Pesos)

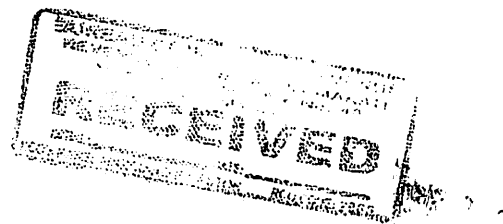
ASSETS			
		2018	2017
CURRENT ASSETS			
Cash In Banks	P	10,373,247	P 5,692,400
Petty Cash Fund		2,000	2,000
Other current assets		438,585	145,637
Total Current Assets		10,813,833	5,840,037
PROPERTY & EQUIPMENT			
Office Furniture, Fixtures & Equipment		42,789	42,789
Less: Depreciation		(14,234)	(6,100)
Net		28,555	36,689
OTHER ASSETS			
Funds and Deposits		5,199,854	5,000,000
	P	16,042,242	P 10,876,726
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	P	5,255,768	P 4,852,833
Liability on Individual Equity Value		3,982,303	1,491,077
Basic Contingent Benefit Reserve		235,884	168,388
Total Liabilities		9,473,955	6,512,298
Equity			
Capital Contributions		5,000,000	5,000,000
Cumulative Earnings		1,568,287	(635,572)
Total Equity		6,568,287	4,364,428
	P	16,042,242	P 10,876,726



FIDELITY MUTUAL LIFE BENEFIT ASSOCIATION INC. (Formerly : Fidelity Mutual Life Inc.)

STATEMENTS OF PROFIT AND LOSS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

<i>(Amounts in Philippine Pesos)</i>	2018	2017
REVENUE	P 7,817,700	P 3,837,240
DIRECT COSTS	2,698,914	1,859,713
GROSS PROFIT	P 5,118,786	P 1,977,527
OPERATING EXPENSES	2,977,689	1,635,169
OPERATING INCOME (LOSS)	2,141,097	342,358
INTEREST INCOME	62,763	124,605
NET LOSS	P 2,203,860	P 466,963

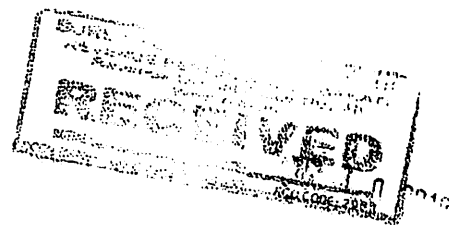


FIDELITY MUTUAL LIFE BENEFIT ASSOCIATION INC (Formerly : Fidelity Mutual Life Inc.)

STATEMENTS OF CHANGES IN EQUITY
DECEMBER 31, 2018 AND 2017

	2018	2017
CAPITAL CONTRIBUTIONS	₱ 5,000,000	₱ 5,000,000
CUMULATIVE EARNINGS		
Balance at beginning of year	(635,573)	(1,102,537)
Net Income/(loss)	2,203,860	466,964
Balance at end of year	1,568,287	(635,573)
	₱ 6,568,287	₱ 4,364,427

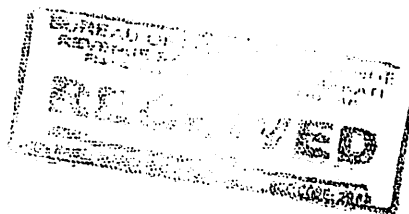
See accompanying Notes to Financial Statements.



FIDELITY MUTUAL LIFE BENEFIT ASSOCIATION INC (Formerly : Fidelity Mutual Life Inc.)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Amounts in Philippine Pesos)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income(Loss) before income tax	P 2,203,860	P 466,964
Adjustments for:		
Depreciation and amortization	8,134	6,100
Interest income	(62,763)	(1,661)
Operating loss before working capital changes	2,149,231	473,064
Changes in operating assets and liabilities:		
Increase in:		
Receivable	(292,949)	(147,637)
Increase (decrease) in payables	2,961,657	1,308,384
Cash used in operations	4,817,939	1,633,811
Income tax paid	-	-
Interest received	62,763	1,661
Net cash used in operating activities	4,880,702	1,635,472
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	-	(42,789)
Increase in refundable deposits	-	-
Net cash used in investing activities	-	(42,789)
CASH FLOW FROM FINANCING ACTIVITY		
NET DECREASE IN CASH		
	4,880,702	1,592,683
CASH AT BEGINNING OF YEAR		
	10,694,400	9,101,717
CASH AT END OF YEAR		
	P 15,575,102	P 10,694,400

See accompanying Notes to Financial Statements.



2018

FIDELITY LIFE MUTUAL BENEFIT ASSOCIATION INC.

Notes to Financial Statements

As of December 31, 2018 & 2017

1. CORPORATE INFORMATION

FIDELITY LIFE MUTUAL BENEFIT ASSOCIATION INC. (Formerly: Fidelity Mutual Life Inc.) was incorporated and registered with the Securities and Exchange Commission (SEC) on October 23, 2012, with SEC Registration No. CN201218679. That the purpose of for which such Association is formed is to advance the interest and promote the welfare of the poor, in particular, and the interest and welfare of the Philippines, in general. To provide financial assistance to its members, and the members' spouse children and parents in the form of death benefits, sickness benefits, provident savings and loan redemption assistance. To provide access and mechanisms for the lower income households to cope with uncertainly and risks. To empower Filipinos in the lower economic segment to build up and manage their own resources to secure their future and to become the leading Microinsurance provider that will contribute to poverty alleviation in the Philippines.

The Corporation has amended its Articles of Incorporation particularly its name from **Fidelity Mutual Life Inc.** to **FIDELITY LIFE MUTUAL BENEFIT ASSOCIATION INC.** and its address from **3/F King's Court 1 Bldg., 2129 Don Chino Roces Avenue, Makati City** to **9/F King's Court 1 Bldg., 2129 Don Chino Roces Avenue, Makati City** last August 15, 2016.

The financial statements of the Company for the year ended December 31, 2018 was authorized for issue by the Company's President on April 24, 2019.

2. Significant Accounting and Financial Reporting Policies

Basis of Preparation

The financial statements of **FIDELITY LIFE MUTUAL BENEFIT ASSOCIATION INC.** (Formerly: Fidelity Mutual Life Inc.) have been prepared on a historical cost basis and are presented in Philippine Peso, which is the Company's functional and presentation currency and all values are rounded off to the nearest peso except when otherwise indicated.

Statement of Compliance

The Company applied Section 35, "Transition to the IFRS for SMEs" in preparing the financial statements with January 1, 2010 as the date of transition.

Changes in Accounting Policies

The Company has adopted the following amended PFRS during the period. The adoption of this revised standard did not have any effect on the Company's financial position and results of operation. It does, however, give rise to additional disclosures in the financial statements.

PFRS 7, Financial instrument: Disclosure and the complementary amendment to PAS 1, Presentation of financial Statements: Capital Disclosures. (Effective for annual period on or after January 1, 2007).

The principal effects of the above changes are as follows:

FIDELITY LIFE MUTUAL BENEFIT ASSOCIATION INC.

Notes to Financial Statements

As of December 31, 2018 & 2017

PFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risk arising from financial instruments, including specified minimum disclosures about risk, liquidity risk and market risk. It replaces *PAS 30, Disclosures in Financial Statements of Banks and Similar Financial Institutions*, and the disclosure requirements in *PAS 32, Financial Instruments: and Presentation*. It is applicable to all entities that report under PFRS. The amendment to PAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Company is currently assessing the impact of PFRS 7 and the amendment of PAS 1 and expects that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosure required by PFRS 7 and the amendment to PAS 1.

The following standards and amendments and Philippine Interpretation are effective for annual periods beginning on or after January 1, 2006 but are not relevant to the Proprietorship:

- Amendment to PAS 19 "Employee Benefits";
- Philippine Interpretation, IFRIC 4, "Determining Whether an Arrangement Contains a Lease";
- PFRS 6, "Exploration for an Evaluation of Mineral Resources";
- Amendments to PAS 21, "the Effects of Changes in Foreign Rates";
- Amendment of PAS 39, "Financial Instruments Recognition and Measurement";
- Philippine Interpretation IFRIC 5, "Rights to Interests Arising from Decommissioning Restoration and Environmental Rehabilitation Funds";
- Philippine Interpretation IFRIC 6, "Liabilities Arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment";
- Philippine Interpretation IFRIC 7, "Applying the Restatement Approach Under PAS 29", "Financial Reporting in Hyperinflationary Economies";
- Philippine Interpretation IFRIC 8, "Scope of PFRS 2", and
- Philippine Interpretation Q&A 2006-PAS 18 appendix, paragraph 9 – Revenue Recognition for Sales of Property Units Under Pre-completion Contracts.

Other standards and amendments but not relevant to the Company:

- Philippine Interpretation IFRIC 9, "Reassessment of Embedded Derivatives" (Effective for annual period beginning on or after January 1, 2006).
- Philippine Interpretation IFRIC 10, "Interim Financial Reporting and Impairment" (Effective for annual period beginning on or after November 1, 2006);
- Philippine Interpretation IFRIC 11, PFRS 2 – Group and Treasury Shares Transactions" (Effective for annual period beginning on or after March 1, 2007).

Standards and interpretations not yet effective:

The Company has not applied the following PFRS and Philippine Interpretations which are not yet effective for the year ended December 31, 2018.

The above standards have no impact on the financial statements.

Cash and Cash Equivalent

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

FIDELITY LIFE MUTUAL BENEFIT ASSOCIATION INC.

Notes to Financial Statements

As of December 31, 2018 & 2017

Impairment of Financial Assets

The Corporation assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Accounting Policies Prior to January 1, 2006

Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognized.

Taxes

Current Tax. Current tax assets and liabilities for the current and prior period measure at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at balance sheet date.

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using 35% tax rate.

Provisions

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

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date, including risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the amount of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, long-term provisions are discounted to their present values, where time value of money is material.

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

Probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements.

FIDELITY LIFE MUTUAL BENEFIT ASSOCIATION INC.

Notes to Financial Statements

As of December 31, 2018 & 2017

Other Adopted Accounting Standards

PAS 1, Presentation of Financial Statements
PAS 8, Accounting Policies, Charges in Accounting Estimates and Errors,
PAS 10, Events After the Balance Sheet Date
PAS 24, Related Party Disclosure

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company's financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the Company's financial statements and related notes.

Judgment

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

Functional Currency

The country has determined that its functional currency is the Philippine peso. Functional currency is the currency of the primary economic environment in which the Company operates.

Estimates

The estimates and assumptions used in the Company's financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Company's financial statements. Actual results could differ from such.

Estimating allowances for doubtful accounts. Provisions are made for specific and groups of accounts where objective evidence of impairment exists. The Company evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Company's relationship with the customers, the customers' current credit status based on third party credit reports and known market forces, average of accounts, collection experience and historical loss experience.

No allowance for doubtful accounts was provided in the financial statements as the managements believe that its receivables are reasonable collectible.

Financial assets and liabilities

The Company carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgments. Significant components of fair value measurement were determined using verifiable objective evidence, (i.e. foreign exchange rates, interest, volatility rates). However, the amount charges in fair value would differ in the company utilized different valuation methodologies and assumptions. Any changes in the fair value of these financial assets and liabilities would affect profit and loss equity.

FIDELITY LIFE MUTUAL BENEFIT ASSOCIATION INC.

Notes to Financial Statements

As of December 31, 2018 & 2017

4. Cash

Cash represents cash on hand and in banks maintained in savings and current accounts.

Cash in banks represent the aggregate balance of the Company's current deposit accounts maintained with banks and earns interest at their respective bank deposit rates. There were no short term investments during the year.

5. Accounts Payable

Accounts payable are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees. It is necessary to estimate the amount or timing of accruals, however, the uncertainty is generally much less than for provisions.

6. Advances from Affiliates

This represent as amount advance from affiliated companies.

7. Income Tax

On October 10, 2007, the BIR issued Revenue Regulations No. 12-2007, which amended the timing of the calculation and payment of MCIT from an annual basis to a quarterly basis, i.e. excess MCIT from a previous quarter during the current taxable year may be applied against subsequent quarterly or current annual income tax due, whether MCIT or Regular Corporate Income Tax (RCIT). However, excess MCIT from the previous taxable year's are not creditable against MCIT due for a subsequent quarter and are only creditable against quarterly and annual RCIT.

On May 24, 2005 Republic Act. No. 9337 entitled "an act Amending National Internal Revenue Code, as Amended with Salient Features" (Act), was passed into law effective November 1, 2005. Among others, the Act includes the following significant revision to the rules to taxation:

- a. Change in the corporate income tax rates from 32% to 35% starting November 1, 2005 and to 30% starting January 2009.
- b. Change in the amount of interest expense disallowed as tax-deductible expense equivalent to a certain percentage applied to the interest income subjected to final tax, such percentage was changed from 38% to 42% starting November 1, 2005 and 33% starting January 1, 2009; and
- c. Grant of authority to the Philippine President to increase the 10% VAT rate to 12% effective February 1, 2006 subject of compliance with certain economic conditions.