

PEMSEA RESOURCE FACILITY CENTER

FINANCIAL STATEMENTS
December 31, 2015 and 2014

REPORT OF INDEPENDENT AUDITORS

The Partnership Council through the Audit Committee
PEMSEA Resource Facility Center

Report on the Financial Statements

We have audited the accompanying financial statements of PEMSEA Resource Facility Center which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of receipts and expenses, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising 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 financial statements in accordance with Philippine Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 procedures to obtain audit evidence about the amounts and disclosures in the 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 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 financial statements.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of PEMSEA Resource Facility Center as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 18 to the basic financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Report on the Supplementary Information Presenting Grants and Expenses per Project

The supplementary information presenting grants and expenses per project for the years ended December 31, 2015 and 2014 in Note 19 to the basic financial statements is presented for the purpose of the interested internal users of the basic financial statements and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. We were not able to apply auditing procedures on such information because of the following reasons: (i) a different reporting framework is required to be used as basis for the preparation; and (ii) the grants and expenses under the Cost Sharing Agreement between the donor national agency and United Nations Development Programme (UNDP) are under the administration of UNDP. The amounts were only lifted from the 2015 and 2014 Combined Delivery Report. Accordingly, it is inappropriate to and we do not express an opinion on the information referred to above.

R.G. Marabot & Co.

June 3, 2016
Makati City, Metro Manila



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REPORT OF INDEPENDENT AUDITORS

The Partnership Council through the Audit Committee
PEMSEA Resource Facility Center
PEMSEA Building, Department of Environment and Natural Resources Compound
Visayas Avenue, Quezon City

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R.G. MANABAT & CO.

Sharon G. Dayoan

SHARON G. DAYOAN

Partner

CPA License No. 0092973

SEC Accreditation No. 0324-AR-3, Group A, valid until June 17, 2018

Tax Identification No. 152-884-119

BIR Accreditation No. 08-001987-15-2014

Issued January 22, 2014; valid until January 21, 2017

PTR No. 5320745MD

Issued January 4, 2016 at Makati City

June 3, 2016

Makati City, Metro Manila

PEMSEA RESOURCE FACILITY CENTER
STATEMENTS OF FINANCIAL POSITION

		December 31	
	<i>Note</i>	2015	2014
ASSETS			
Current Assets			
Cash	6	\$2,298,570	\$2,250,255
Receivables	7	320,270	18,684
Total Current Assets		2,618,840	2,268,939
Noncurrent Assets			
Available-for-sale financial asset	8	83,178	-
Property and equipment - net	9	5,282	6,354
Intangible asset - net	10	-	3,976
Other noncurrent asset	13	43,121	34,576
Total Noncurrent Assets		131,581	44,906
		\$2,750,421	\$2,313,845
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	11	\$332,054	\$268,555
Deferred grants	12	572,579	633,730
Advances from a grantor		-	8,927
Total Current Liabilities		904,633	911,212
Noncurrent Liability			
Retirement benefits liability	13	210,985	76,582
Total Liabilities		1,115,618	987,794
Equity			
Fund balance		1,676,986	1,326,391
Employee benefit reserve	13	(24,532)	(340)
Fair value reserve	8	(17,651)	-
Total Equity		1,634,803	1,326,051
		\$2,750,421	\$2,313,845

See Notes to the Financial Statements.

PEMSEA RESOURCE FACILITY CENTER
STATEMENTS OF RECEIPTS AND EXPENSES

		Years Ended December 31	
	<i>Note</i>	2015	2014
RECEIPTS			
Grants	<i>14</i>	\$2,574,340	\$1,381,702
Training fee		206,118	28,085
Interest	<i>6</i>	3,055	3,201
Donations		-	4,010
Others	<i>16</i>	9,868	101,053
		2,793,381	1,518,051
EXPENSES			
Project expenses	<i>15</i>	1,995,999	1,094,775
Core staff		334,352	288,188
Support staff		58,951	71,380
Travel and meeting		27,405	5,433
Professional fees		15,686	13,533
Depreciation and amortization	<i>9, 10</i>	6,401	4,949
Others		3,992	6,600
		2,442,786	1,484,858
EXCESS OF RECEIPTS OVER EXPENSES		350,595	33,193
OTHER COMPREHENSIVE LOSS			
Item that will not be reclassified subsequently to receipts or expenses			
Remeasurement losses on post-employment benefit obligations	<i>13</i>	(24,192)	(340)
Item that may be reclassified subsequently to receipts or expenses			
Net change in fair value of available-for-sale (AFS) financial assets	<i>8</i>	(17,651)	-
TOTAL COMPREHENSIVE INCOME		\$308,752	\$32,853

See Notes to the Financial Statements.

PEMSEA RESOURCE FACILITY CENTER
STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31

	Fund Balance	Employee Benefit Reserve (Note 13)	Fair value Reserve (Note 8)	Total
Balances as at January 1, 2014	\$1,293,198	\$ -	\$ -	\$1,293,198
Excess of receipts over expenses	33,193	-	-	33,193
Other comprehensive loss	-	(340)	-	(340)
Total comprehensive income (loss)	33,193	(340)	-	32,853
Balances as at December 31, 2014	1,326,391	(340)	-	1,326,051
Excess of receipts over expenses	350,595	-	-	350,595
Other comprehensive loss	-	(24,192)	(17,651)	(41,843)
Total comprehensive income (loss)	350,595	(24,192)	(17,651)	308,752
Balances as at December 31, 2015	\$1,676,986	(\$24,532)	(\$17,651)	\$1,634,803

See Notes to the Financial Statements.

PEMSEA RESOURCE FACILITY CENTER
STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	<i>Note</i>	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of receipts over expenses		\$350,595	\$33,193
Adjustments for:			
Retirement benefit cost	<i>13</i>	110,211	76,242
Depreciation and amortization	<i>9, 10</i>	6,401	4,949
Unrealized foreign exchange loss - net		4,251	-
Interest income	<i>6</i>	(3,055)	(3,201)
Excess of receipts over expenses before working capital changes		468,403	111,183
Increase in receivables		(301,789)	(12,456)
Increase (decrease) in:			
Accounts payable and accrued expenses		63,732	164,098
Deferred grants		(61,151)	363,481
Advances from a grantor		(8,927)	-
Cash generated from operations		160,268	626,306
Interest received		3,055	3,201
Net cash provided by operating activities		163,323	629,507
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in available-for-sale financial assets		(100,829)	-
Acquisition of property and equipment	<i>9</i>	(1,353)	(6,871)
Net cash used in investing activities		(102,182)	(6,871)
NET INCREASE IN CASH		61,141	622,636
EFFECTS OF EXCHANGE RATE CHANGES ON CASH			
		(4,281)	-
CASH AT BEGINNING OF YEAR			
Cash	<i>6</i>	2,250,255	1,662,195
Other noncurrent asset	<i>13</i>	34,576	-
		2,284,831	1,662,195
CASH AT END OF YEAR			
Cash	<i>6</i>	2,298,570	2,250,255
Other noncurrent asset	<i>13</i>	43,121	34,576
		\$2,341,691	\$2,284,831

See Notes to the Financial Statements.

PEMSEA RESOURCE FACILITY CENTER
NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

The Partnerships in Environmental Management for the Seas of East Asia (PEMSEA) is a partnership arrangement involving various stakeholders of the Seas of East Asia, including national and local governments, civil society, the private sector, research and educational institutions, communities, international agencies, regional programs, financial institutions and donors. It is also the regional coordinating mechanism for the implementation of the Sustainable Development Strategy for the Seas of East Asia (SDS-SEA).

The PEMSEA Resource Facility Center (PRFC or “Center”) is the operating arm of PEMSEA. It provides secretariat and technical services to the Partnership Council and the participating partners.

The Philippines has hosted PEMSEA, through the Center, since 1993 by providing the use of land as well as other services and facilities for its use as the Philippines’ contribution to the enhancement of sustainable coastal development in the region.

Pursuant to the international legal personality of PEMSEA signed on November 26, 2009, which provides that the seat of PEMSEA shall be in Metro Manila, Philippines, PEMSEA and the Government of the Republic of the Philippines formalized the existing arrangement with the signing of the Agreement between the Government of the Republic of the Philippines and the Partnerships in Environmental Management for the Seas of East Asia (the “Agreement”) on the establishment of the PRF as the Headquarters of PEMSEA in the Philippines. The Agreement was signed by the Executive Director of PEMSEA and the Secretary of the Department of Foreign Affairs on July 31, 2012. The Agreement was ratified by the President of the Philippines on November 22, 2013 and endorsed by the Senate Committee on Foreign Relations for concurrence by the Philippine Senate on March 5, 2015. The Agreement was further ratified by concurrence of Philippine Senate on May 25, 2015.

Under the Agreement, certain privileges, immunities, and facilities have been granted by the Government of the Republic of the Philippines to the Center to ensure its full functions and operations in achieving its goals and objectives. Among these incentives are the following:

- a. Exemption from payment of all direct taxes and value-added taxes on its purchase of goods, materials, equipment, vehicles and services for its official use.
- b. Exemption from duty to collect or withhold taxes on its payments to other entities including payments to its officers and staff.
- c. All gifts, bequests, donations, and contributions which may be received by the Center from any source whatsoever, or which may be granted by the Center to any individual or non-profit organization for educational or scientific purposes, shall be exempt from taxation and considered allowable deductions for purposes of determining the income tax of the donor.

The Bureau of Internal Revenue (BIR), Department of Finance, Department of Justice, National Economic and Development Authority, Bangko Sentral ng Pilipinas, Bureau of Customs, and Department of Environment and Natural Resources have been consulted on the Agreement and they concurred the ratification of the Agreement through the issuance of the Certificate of Concurrence by Concerned Agencies and Officials. BIR Revenue Memorandum Circular No. 31-2013 issued on April 12, 2013, in particular, has categorized PEMSEA as an international organization.

The Center mobilizes resources, products and services to support the implementation of the SDS-SEA through inter-governmental and multi-sectoral partnerships. Its core functions include providing secretariat services to the East Asian Seas (EAS) Partnership Council and the Executive Committee, and providing technical services to country and non-country partners for the implementation of the SDS-SEA.

Funding for the Center's secretariat services in part, comes from voluntary contributions from China, Japan and Republic of Korea managed by UNDP, while the funding for the Center's technical services comes from sponsored projects and programmes, principally from Global Environment Facility (GEF), United Nations Development Programme (UNDP) and The World Bank (World Bank).

An Executive Director oversees the coordination between the secretariat and technical services, specifically in programme development and implementation.

As a testament of PEMSEA's commitment to pursuing excellence and providing quality services, it received its ISO 9001:2008 certification last October 2013, adding confidence and credibility to the organization as it continues to champion SDS-SEA.

The registered address of the Center's office is located at PEMSEA Building, Department of Environment and Natural Resources Compound, Visayas Avenue, Quezon City, Philippines.

2. Basis of Preparation

Statement of Compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS is based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. PFRS which is issued by the Philippine Financial Reporting Standards Council consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations.

The accompanying financial statements were approved and authorized for issuance by the Audit Committee on June 3, 2016.

Basis of Measurement

The Center's financial statements have been prepared using the historical cost basis of accounting except for the AFS financial assets which are measured at fair value.

Functional and Presentation Currency

The financial statements are presented in United States Dollar (USD), which is also the Center's functional currency. All financial information has been rounded off to the nearest USD, except when otherwise indicated.

Use of Judgments, Assumptions and Estimates

The preparation of the financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the financial statements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the financial statements are described in Note 4 to the financial statements.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

Financial Instruments

Date of Recognition. The Center recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using trade accounting date.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial assets and financial liabilities, except for those designated at fair value through profit and loss (FVPL), includes transaction costs.

Financial assets are classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets. Financial liabilities are classified as financial liabilities at FVPL or other liabilities. The classification depends on the purpose for which the investments are acquired and the liabilities are incurred, or whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates such designation at each reporting date.

As at December 31, 2015 and 2014, the Center has no financial asset or liability at FVPL, and HTM investments.

Determination of Fair Value

The fair value of financial instruments that are actively traded in an organized financial market is determined by reference to quoted market bid prices at the close of business on the reporting date. When the current bid and asking prices are not available, the price of the most recent transactions provides evidence of the current fair value as long as there has been no significant change in economic circumstances since the time of the transactions. For all other financial instruments not listed in an active market, fair value is determined using appropriate valuation methodologies which include the use of recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and other acceptable valuation models.

'Day 1' Difference

Where the transactions priced in a non-active market is different from the fair value based on other recent market transactions between knowledgeable willing parties in observable current market transactions in the same instrument or based on a valuation methodology whose variables include only data from observable markets, the Center recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss unless it qualifies for recognition as some other type of asset. In case where unobservable data is used, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate (EIR). Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are included in current assets if maturity is within twelve (12) months from the reporting date, otherwise these are classified as noncurrent assets.

The Center's cash and receivables are included in this category (Notes 6 and 7).

Cash. Cash includes cash on hand and cash in banks which is stated at face value.

AFS Financial Assets. AFS financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories. AFS financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in fair value reserve in equity in the statements of financial position until the investment is derecognized or the investment is determined to be impaired. When investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

The Center's investments in investment funds are classified under this category (see Note 8).

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading and are not designated as at FVPL upon inception of the liability. Other financial liabilities are initially recognized at fair value of the consideration received less any directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

The Center's accounts payable and accrued expenses and advances from a grantor are classified under this category (Note 11).

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position 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. This is not generally the case with master netting agreements, and the related assets and liabilities are presented on a gross basis in the statements of financial position.

Impairment of Financial Assets

The Center assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidences of impairment include experiencing significant financial difficulty, the probability that the borrower or a group of borrowers will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account and the amount of loss is recognized in profit or loss.

The Center first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for individually assessed financial assets, whether significant or not, the assets are included in the group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment for which an impairment loss is or continues to be recognized are not included in the collective assessment of impairment. Impaired receivables are derecognized when they are assessed as uncollectible.

If the amount of impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. 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 amortized cost at the reversal date.

Derecognition of Financial Assets and Liabilities

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

- the rights to receive cash flows from the financial asset have expired;

- the Center retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Center has transferred its rights to receive cash flows from the financial asset and either has transferred substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset.

When the Center 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, but has transferred control of the asset, the asset is recognized to the extent of the Center’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 original carrying amount of the asset and the maximum amount of consideration that the Center could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation is discharged, 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 derecognition of the original liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Property and Equipment

Items of property and equipment are initially measured at cost. After initial recognition, all items of property and equipment are measured at cost less accumulated depreciation and impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Center, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in the statements of receipts and expenses as incurred.

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value. Depreciation is recognized in the statements of receipts and expenses on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives of property and equipment are as follows:

	Number of Years
Building improvements	5
Computer equipment	3
Office equipment	3

If there is an indication that there has been a significant change in the depreciation method, useful life or residual value of an asset, the depreciation of that asset is reviewed and adjusted prospectively, if appropriate.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of those assets.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the asset, and are recognized on a net basis in the statements of receipts and expenses.

Intangible Asset

Intangible asset with finite useful life that is acquired by the Center is measured at cost less accumulated amortization and allowance for impairment losses, if any.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, are recognized in the statements of receipts and expenses as incurred.

Amortization is recognized in the statements of receipts and expenses on a straight-line basis over the estimated useful life of intangible asset, from the date that the intangible asset is available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the intangible asset. The estimated useful life of the Center's computer software is two (2) years.

Fully amortized assets are retained in the accounts until they are no longer in use and no further charge for amortization is made in respect of those assets.

Gains and losses arising from disposal or retirement of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statements of receipts and expenses when the asset is derecognized.

Receipts Recognition

Grants are initially recognized as deferred income upon receipt and are then recognized as income to the extent of the expenses incurred for the year in accordance with the conditions associated with the grant as provided in the grant agreements. At project completion date, any excess funds are returned to the grantors, unless otherwise agreed by both parties that the excess be retained by the Center and therefore recognized as income.

Interest Income is recognized as it accrues, taking into account the effective yield on the asset and is presented net of applicable tax.

Donations are cash contributions that are free from conditions or requirements from the donors and are recognized in the period received.

Training Fee and Other Income is recognized when earned.

Expense Recognition

Expenses are recognized when 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 and are recognized when incurred.

Employee Benefits

Short-term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefits

The Center has a contributory defined benefit retirement plan covering all qualified officers and employees. The Center's net obligation in respect of the defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in the current and applicable prior periods, if any, discounting that amount and deducting the fair value of any plan assets.

The calculation of the defined benefit obligation is performed on a periodic basis by a qualified actuary using the projected unit credit method. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements on the defined benefit liability, which refers to actuarial gains and losses, is recognized immediately in other comprehensive income (OCI). The Center determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in the statements of receipts and expenses.

The Center recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Foreign Currency-denominated Transactions

Transactions denominated in foreign currencies, i.e., other than in USD which is the Center's functional currency, are recorded using the exchange rate at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency using the prevailing rates at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of outstanding monetary assets and liabilities denominated in foreign currencies are recognized in the statements of receipts and expenses.

Provisions

A provision is recognized if, as a result of a past event, the Center has a present legal or constructive obligation that can be estimated reliably, and it is probable that a transfer of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost. The Center does not recognize a provision for future operating losses.

Contingencies

Contingent liabilities are not recognized as liabilities but are disclosed in the financial statements unless the possibility of an outflow of resources is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

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

New or Revised Standards, Amendments to Standards and Interpretations

Adopted as of January 1, 2015

A number of new or revised standard, amendments to standards and interpretation are effective as of January 1, 2015 and are required to be adopted by the Center. While these have been adopted as of January 1, 2015, none of these have a significant impact on the Center's financial statements.

To be Adopted in the Future

A number of new or revised standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2015. These will be adopted by the Center as these become effective. None of these are expected to have a significant impact on the Center's financial statements.

4. Critical Accounting Judgments, Estimates, and Assumptions

Judgments

In the process of applying the Center's accounting policies, management has made the following judgment, apart from those involving estimation, which has the most significant effect on the amounts recognized in the financial statements:

Determining Functional Currency

The Center considers factors including, but not limited to, the currency in which receipts and disbursements from the operating activities are usually made. Based on the economic substance of the underlying circumstances relevant to the Center, the functional currency has been determined to be the USD.

Estimates and Assumptions

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

Estimation of Retirement Benefit Costs and Obligation

The determination of the retirement benefit costs and obligation is dependent on the selection of certain assumptions selected by management and used by the actuary in calculating such amounts.

The Center's retirement benefits liability amounted to \$210,985 and \$76,582 as at December 31, 2015 and 2014, respectively. Retirement benefits cost amounted to \$110,211 and \$76,242 in 2015 and 2014, respectively (Note 13).

5. Financial Risk and Fund Management

Risk Management Structure

The Partnership Council is responsible for the overall risk management approach and for approval of risk strategies and principles of the Center.

Financial Risk Management Objectives and Policies

The Center's activities expose it to a variety of financial risks: market risk, which includes foreign exchange risk, credit risk, liquidity risk and other market price risk.

Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Center's functional currency.

The Center's foreign exchange risk exposure arises mainly from purchases of goods and services where the resulting payables are denominated in foreign currency, particularly Philippine peso.

Management monitors the timing of payments of foreign currency-denominated monetary assets and liabilities to ensure that the Center is not unfavorably exposed to fluctuations of foreign exchange rates.

The Center's monetary assets and liabilities denominated in Philippine peso as at December 31 are as follows:

	2015	2014
Current Assets		
Cash	P1,422,724	P2,683,755
Receivables	165,333	433,421
	1,588,057	3,117,176
Noncurrent Assets		
Other noncurrent asset	1,691,095	1,546,245
Total Assets	3,279,152	4,663,421
Current Liabilities		
Accounts payable and accrued expenses	13,206,690	5,688,067
Net foreign currency - denominated liabilities	(P9,927,538)	(P1,024,646)
USD Equivalent	(\$210,955)	(\$22,912)

The exchange rates in Philippine peso as at December 31 are as follows:

Year	Average Rate	Spot Rate
2015	45.51	47.06
2014	44.40	44.72

	Increase (Decrease) in Excess of Receipts over Expenses/Fund balance	
Depreciation (Appreciation) of US\$	2015	2014
3%	(\$6,329)	(\$687)
(3%)	6,329	687

Credit Risk

Credit risk is the risk that the Center will incur losses because its counterparties fail to discharge their contractual obligations.

The Center's exposure to credit risk relates primarily to cash in banks and receivables. To manage the risks, the Center places its cash deposits in a reputable commercial banks without restrictions as to withdrawal and by monitoring the receivables on an ongoing basis.

The Center's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these assets.

The table below shows the maximum exposure to credit risk as at December 31:

	<i>Note</i>	2015	2014
Cash in bank	6	\$2,297,565	\$2,249,255
Receivables	7	320,270	18,684
Other noncurrent asset	13	43,121	34,576
		\$2,660,956	\$2,302,515

Cash in banks and receivables are neither past due nor impaired and are considered "High grade" since transactions are with a reputable commercial banks and grantors with no history of default. High grade rating applies to highly rated financial obligors, strong corporate counterparties and personal borrowers with whom the Center has excellent repayment experience.

Liquidity Risk

Liquidity risk is the risk that the Center will not be able to meet its obligations when they fall due. To limit this risk, management manages assets with liquidity in mind, and monitors future cash flows and liquidity.

The Center's objective is to maintain a balance between continuity of funding and flexibility through the use of operating cash flows. It aims to maintain flexibility in funding its operations through efficient collection strategies and maintaining sufficient and available cash in bank. The Center does not maintain credit facilities from third parties, instead, all funding requirements are obtained from the grantors.

The tables below summarize the maturity grouping of financial assets from the end of the reporting period to the contractual maturity date, or if earlier, the expected date the assets will be realized and the maturity profile of the Center's other financial liabilities based on contractual undiscounted payments as at December 31:

	2015		Total
	Less than 1 Year	1 Year and Above	
Loans and Receivables			
Cash	\$2,298,570	\$ -	\$2,298,570
Receivables	320,270	-	320,270
	2,618,840	-	2,618,840
Other Financial Liabilities			
Accounts payable and accrued expenses	332,054	-	332,054
Net Liquidity Position	\$2,286,786	\$ -	\$2,286,786

	2014		Total
	Less than 1 Year	1 Year and Above	
Loans and Receivables			
Cash	\$2,250,255	\$ -	\$2,250,255
Receivables	18,684	-	18,684
	2,268,939	-	2,268,939
Other Financial Liabilities			
Accounts payable and accrued expenses	268,555	-	268,555
Advances from a grantor	8,927	-	8,927
	277,482	-	277,482
Net Liquidity Position	\$1,991,457	\$ -	\$1,991,457

The Center expects to settle the above financial liabilities in accordance with their contractual maturity dates.

Other Market Price Risk

Other market price risk arises from the AFS financial assets held to fund the retirement obligation once it falls due. Changes in fair value of AFS financial assets are recognized in other comprehensive income.

Fair Value of Financial Instruments

The carrying amounts of financial assets and liabilities presented in the statements of financial position approximate their fair values at the reporting date. The impact of discounting on the fair value calculation is deemed not significant as financial assets and liabilities generally have short-term maturities.

Fair Value Hierarchy

The fair value of investments in investment fund is determined by reference to quoted bid price at the reporting date, which is classified under Level 2 in the fair value hierarchy.

As at December 31, 2015	Level 1	Level 2	Level 3	Total
Financial Assets				
AFS financial assets	\$ -	\$83,178	\$ -	\$83,178

Fund Management

The Center's equity is comprised of fund balance. Management's objective in managing its fund is to safeguard the Center's ability to continue as a going concern so it can sustain its drive to provide services.

In order to maintain or adjust its fund structure, the Center may obtain funding from other partner countries. In line with its fund structure policy, the Center performs cash management on a monthly basis and strictly implements work plan and budget preparation and evaluation to ensure the Center's fund is sufficient to meet its operating requirements.

The Center is not subject to externally-imposed capital requirements.

6. Cash

This account consists of:

	2015	2014
Cash on hand	\$1,005	\$1,000
Cash in banks	2,297,565	2,249,255
	\$2,298,570	\$2,250,255

For the years ended December 31, 2015 and 2014, interest income earned from cash in banks amounted to \$3,055 and \$3,201, respectively.

7. Receivables

	2015	2014
Grant receivables	\$285,399	\$18,684
Receivables from co-convenor	30,350	-
Other receivable	4,521	-
	\$320,270	\$18,684

Grant receivables pertain to disbursements made by the Center for a particular project where funding has not yet been received from grantors as at December 31, 2015 and 2014.

Receivables from co-convenor pertain to uncollected registration fees of participants who attended the East Asian Sea (EAS) Congress held in Danang Vietnam in November 2015.

8. AFS Financial Assets

The Center's AFS financial assets consist of its investment in an investment funds with a reputable financial institution. These investments are restricted and intended to fund the retirement obligation once the latter falls due.

The movement in the fair value of the AFS financial assets in 2015 is as follows:

	Amount
Fair value at date of acquisition	\$100,829
Remeasurement losses	(17,651)
Fair value at December 31, 2015	\$83,178

9. Property and Equipment

The movements and balances of this account are as follows:

	2015			Total
	Building Improvements	Computer Equipment	Office Equipment	
Cost				
Balances at January 1, 2015	\$197,840	\$4,090	\$6,871	\$208,801
Additions	-	-	1,353	1,353
Balances at December 31, 2015	197,840	4,090	8,224	210,154
Accumulated Depreciation				
Balances at January 1, 2015	197,840	4,090	517	202,447
Depreciation	-	-	2,425	2,425
Balances at December 31, 2015	197,840	4,090	2,942	204,872
Net Carrying Value	\$ -	\$ -	\$5,282	\$5,282

	2014			Total
	Building Improvements	Computer Equipment	Office Equipment	
Cost				
Balances at January 1, 2014	\$197,840	\$4,090	\$ -	\$201,930
Additions	-	-	6,871	6,871
Balances at December 31, 2014	197,840	4,090	6,871	208,801
Accumulated Depreciation				
Balances at January 1, 2014	197,840	3,634	-	201,474
Depreciation	-	456	517	973
Balances at December 31, 2014	197,840	4,090	517	202,447
Net Carrying Value	\$ -	\$ -	\$6,354	\$6,354

10. Intangible Asset

The intangible asset of the Center pertains to computer software acquired in 2013 and was placed into use in August 2014. The movement of the balances are as follows:

	2015	2014
Cost		
Balances at beginning and end of year	\$7,952	\$7,952
Accumulated Amortization		
Balances at beginning of year	3,976	-
Amortization	3,976	3,976
Balances at end of year	7,952	3,976
Net Carrying Value	\$ -	\$3,976

11. Accounts Payable and Accrued Expenses

This account consists of:

	<i>Note</i>	2015	2014
Accounts payable		\$21,595	\$60,558
Accrued expenses		227,106	92,439
Employee retirement contributions	<i>13</i>	77,697	34,576
Funds held in trust		5,656	80,982
		\$332,054	\$268,555

Accounts payable are noninterest-bearing and are normally settled within 30 to 60 days.

Accrued expenses include short-term employee benefits such as annual leave, educational grants, and medical benefits.

Funds held in trust pertain to unspent funds from Bali, Indonesia for the terminated projects in 2013. Such projects were terminated upon the request of the Environmental Board of Bali Province in view of the government regulations prohibiting local government from directly collaborating with international agencies/donors. Funds were subsequently used to support further development and implementation of Integrated Coastal Management (ICM) program in Indonesia.

Employee retirement contributions represent the employees' share in funding the retirement benefits which was deducted from employees' salaries. These will be contributed to the Plan as part of its plan assets once such is established.

12. Deferred Grants

Deferred grants represent funds received from the grantors but were unspent as of reporting date and are to be spent in the succeeding periods. The funds are to be used only for specific projects and should be in compliance with the terms and conditions of the respective grant agreements. Unused funds at the end of the project are returned to the grantor unless otherwise agreed by the grantor to be retained by the Center.

Deferred grant as at December 31 consist of unspent funds from the following partners:

	2015	2014
Ministry of Oceans & Fisheries, Republic of Korea	\$263,448	\$179,888
State Oceanic Administration, People's Republic of China	237,482	156,188
Global Environment Facility	27,665	100,735
Coastal Management Center	23,817	45,930
United Nations Environment Programme	20,167	86,048
World Bank	-	64,941
	\$572,579	\$633,730

13. Retirement Plan

Prior to January 1, 2014, the Center's employees were previously covered by a contract with the UNDP. In December 31, 2013, said employees agreed with UNDP to extinguish such contract effective January 1, 2014. The employees were then employed by PEMSEA starting January 1, 2014. Any retirement benefit contributions due to the employees when they were with UNDP were paid out to the employees in full by UNDP.

On January 1, 2014, the Center established the PEMSEA Resource Facility Pension Fund ("the Fund"), in accordance with the Regulations of the PEMSEA Resource Facility Staff Pension ("the Regulations"). The Fund is contributory and of the defined benefit type covering all qualified officers and employees, which provides a retirement benefit as follows:

- a. The benefit shall, subject to minimum payment and maximum accumulation as defined in the Regulations, be payable at the standard annual rate obtained by multiplying: i) the first five years of the Participant's contributory service, by 1.5 per cent of the final average remuneration; ii) the next five years of contributory service, by 1.75 per cent of the final average remuneration; iii) the next 25 years of contributory service, by 2 per cent of the final average remuneration; and iv) the years of contributory service in excess of 35, by 1 per cent of the final average remuneration, subject to a maximum total accumulation rate of 70 per cent.
- b. The benefit shall, subject to minimum and maximum payments as defined in the Regulations, be payable at the standard annual rate obtained by multiplying: i) the first 30 years of the Participant's contributory service, by 2 per cent of the final average remuneration; ii) the years of contributory service in excess of 30, but not exceeding five, by 1 per cent of the final average remuneration; and iii) the years of contributory service in excess of 35 by 1 per cent of the final average remuneration, subject to a maximum total accumulation rate of 70 per cent.

The retirement benefits is computed as a proportion of the final average remuneration, with the proportion determined based on number of years of contributory service, subject to minimum payments and maximum accumulation as provided in the Regulations.

The current valuation as at December 31, 2015, as prepared by an independent actuary, considered the higher of (a) or (b) above, as applicable, as well as the minimum annual rates defined in the Regulations. Such benefits shall be payable at periodic intervals for life or commuted to a lump sum benefit in accordance with the Regulations. Valuation will be obtained on a periodic basis.

Management assessed that the Center is an International Agency with Juridical Personality and is therefore not covered by the provisions of the Labor Code of the Philippines on the minimum retirement benefit payable by an employer.

The retirement benefits liability recognized in the statements of financial position as at December 31 is as follows:

	Retirement Benefits Liability	
	2015	2014
Balance at January 1	\$76,582	\$ -
Included in Profit or Loss		
Current service cost	114,846	76,600
Interest cost	3,487	-
Effect of movement in exchange rates	(8,122)	(358)
	110,211	76,242
Included in Other Comprehensive Loss		
Actuarial loss (gain) arising from:		
Experience adjustment	37,587	340
Financial assumptions	(13,395)	-
	24,192	340
Balance at end of year	\$210,985	\$76,582

Principal actuarial assumptions used to determine the present value of the defined benefit obligation as at December 31 are as follows:

	2015	2014
Discount rate	4.87%	4.61%
Future salary growth	3.00%	3.00%

Assumptions regarding future mortality rates are in accordance with the 1994 GAM table.

The weighted-average duration of the retirement benefit liability is 13.5 years and 15.3 years as at December 31, 2015 and 2014, respectively.

Maturity analysis of the benefit payments is as follows:

	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 2-5 Years	More than 5 Years
2015	\$210,985	\$57,925	\$ -	\$ -	\$57,925
2014	76,582	21,847	-	-	21,847

Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the retirement benefits liability by the amounts shown below:

	Increase (Decrease) in Defined Benefit Obligation	
	2015	2014
Discount rate:		
Increase by 0.5%	(\$22,575)	(\$12,613)
Decrease by 0.5%	25,740	14,553
Future salary growth:		
Increase by 0.5%	12,659	7,266
Decrease by 0.5%	(12,026)	(6,885)

Although the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

There are no unusual or significant risks to which the defined benefit plan exposes the Center, however in the event a benefit claim arises the benefit shall immediately be due and payable.

Contributions to the Fund are made by the Center and the employees at 15.8% and 7.9%, respectively, of the employees' basic pay. All employee contributions are initially held in the Center's payroll account. In 2015, the Center invested funds in a reputable financial institution where all fund contributions of the Center's employees in 2014, together with the Center's contribution in 2015 which is equivalent to its 2014 required contribution, were invested (see Note 8).

As at December 31, 2015 and 2014, total employee contributions, including any interest earned, held in the Center's payroll account amounting to \$43,121 and \$34,576, respectively, are included in the "Other noncurrent asset" account in the statements of financial position since these are earmarked for the retirement benefits of the Center's employees. Corresponding liability was recognized under "Accounts payable and accrued expenses" account for the total amount of employee contribution as at December 31, 2015 and 2014 amounting to \$77,697 and \$34,576, respectively.

There is no specific matching strategy between the plan assets and the plan liabilities as at December 31, 2015.

14. Grants

This account consists of grants from the following partners:

	2015	2014
Global Environment Facility	\$1,686,175	\$614,630
World Bank	405,462	126,654
Ministry of Oceans & Fisheries, Republic of Korea	145,308	-
United Nations Environment Programme	114,029	13,610
Timor Leste	99,980	99,980
State Oceanic Administration, People's Republic of China	79,233	164,883
Coastal Management Center	24,153	29,065
Government of Singapore	20,000	20,000
Korea International Cooperation Agency	-	225,000
International Maritime Organization	-	87,880
	\$2,574,340	\$1,381,702

The grants cover the following projects:

Global Environment Facility (GEF)

GEF has been a major donor of PEMSEA over the past 20 years, providing the necessary financial support to cover the incremental costs of addressing regional environmental issues that are of global significance via implementation of the SDS-SEA.

The fourth phase of the GEF project entitled, GEF/UNDP/PEMSEA Project on Scaling up the Implementation of the SDS-SEA took effect in August 2014 and will be completed in 2019. The project aims to catalyze actions and investments at the regional, national and local levels to rehabilitate and sustain coastal and marine ecosystem services and build a sustainable coastal and ocean-based economy in the East Asian region.

World Bank

Scale Up Partnership Investments for Sustainable Development of Large Marine Ecosystems of East Asia and their Coasts

For the objective of enhancing the capacity and performance of investments in sustainable development of large marine ecosystems and coasts in the East Asia Seas (EAS) region through knowledge and experience sharing, portfolio learning and network, World Bank extended its support for the benefit of the People's Republic of China, Republic of Indonesia and Socialist Republic of Vietnam.

Ministry of Oceans & Fisheries, Republic of Korea

Strengthening Capacity in ICM Programme Development and Implementation in Democratic People's Republic of Korea (DPR Korea)

The objective of this project is to strengthen ICM programme development and implementation capacity in DPR Korea by facilitating training and networking opportunities for its officials and experts.

United Nations Environment Programme (UNEP)

Project Cooperation Agreement

UNEP and PEMSEA have agreed to cooperate to implement the project entitled “Global foundations for reducing nutrient enrichment and oxygen depletion from land based pollution, in support of Global Nutrient Cycle.” With reference to this agreement, PEMSEA will be responsible for the development of nutrient reduction strategies through application of quantitative source-impact modelling and best practices in Manila Bay Watershed. This agreement is effective until 2015 and was subsequently extended until April 30, 2016.

Timor Leste

Sustainable Development Strategy for the Seas of East Asia (SDS-SEA)

In line with the commitment on the SDS-SEA, the Government of Timor Leste expressed its support to the continuous implementation of the SDS-SEA and announced their provision of financial support to PEMSEA amounting to \$100,000 on an annual basis.

State Oceanic Administration (SOA), People’s Republic of China

Financial Contribution for the Implementation of the Center’s Re-engineering Plan

The SOA of the People’s Republic of China agreed to contribute funds to PEMSEA, represented by the Center, in support of the Staff and Operational Costs of the Center’s Core Group and PEMSEA Office in line with the Implementation of the Re-engineering Plan to provide the EAS Partnership Council with advice on how to make the Center more flexible, responsive, efficient and cost-effective, in support of PEMSEA’s transformation into an international organization.

Coastal Management Center (CMC)

PEMSEA and CMC have been closely collaborating over the past 20 years for the sustainable development of the marine and coastal resources in East Asian region, including joint initiatives on project development and management, marine pollution monitoring, special skills training of participants from national and local governments, publication and dissemination of scientific and technical materials, resource mobilization, and co-organization of a regional Youth Forum at the EAS Congress 2006.

Pursuant to the Letter of Cooperation and Partnership Operating Arrangement signed on December 16, 2006 and Memorandum of Agreement signed on June 14, 2008, PEMSEA and CMC have identified areas for collaboration and will undertake collaborative activities relative to the objectives and targets of the SDS-SEA, consistent with the programs and objectives of both organizations.

Government of Singapore

In line with the sixth East Asian Seas Partnership Council Meeting, the Government of Singapore committed to contribute \$20,000 on annual basis and will explore other ways to contribute to PEMSEA.

Korea International Cooperation Agency (KOICA)

Funding Agreement Regarding the Implementation of the Yeosu Project

The Organizing Committee, KOICA and PEMSEA for the EAS have mutually agreed to implement the project under the Yeosu Project entitled “PEMSEA-Yeosu Project on Port Safety Health and Environmental Management.”

International Maritime Organization

Project on Strengthening Oil Spill Preparedness and Response in a Subregional Sea Area: Environmental Sensitivity Mapping in the Gulf of Thailand

The specific project objective is to develop Gulf of Thailand (GoT) sensitivity maps for planning and response to oil spill incidents covering the coastal and marine resources of the Gulf, existing economic activities along the coast and offshore and gazetted areas, as well as locations of emergency services, spill response equipment and related services.

15. Project Expenses

This account consists of the following expenses:

	2015	2014
Technical staff	\$686,628	\$452,352
Subcontractors	418,650	233,198
Travel and transportation	389,739	151,778
Consultancy	288,280	44,432
Training	128,201	78,923
Printing and distribution	49,490	56,587
Contracted staff	35,011	62,945
Support staff	-	12,042
Overhead	-	2,518
	\$1,995,999	\$1,094,775

16. Other Income

This account consists of:

	2015	2014
Foreign exchange gain - net	\$4,499	\$1,626
Proceeds from trust fund	-	84,515
Others	5,369	14,912
	\$9,868	\$101,053

On March 10, 2009, a Memorandum of Agreement (MOA) was signed between PEMSEA and CMC to facilitate the promotion and dissemination of relevant information, products, training, scientific and technical services, country and regional support networks to national and local governments of the region on a sustainable basis. Under this MOA, PEMSEA contributed \$50,000 as an initial capital to set up a Trust Account with CMC for the purpose of receiving funds from individuals and organizations for products supplied and services rendered by PEMSEA on a not-for-profit basis, including registration and fees collected for the 2009 EAS Congress. Further, upon expiration of the MOA, the balance of the funds held in the Trust Account will be returned to PEMSEA. The MOA expired in 2013 and accordingly, the proceeds from the trust fund were received in 2014.

17. Related Party Transactions

Compensation and other short-term benefits of key management personnel amounted to \$382,290 and \$141,044 in 2015 and 2014, respectively, and are included under "Project Expenses" account presented in the statements of receipts and expenses (Note 15).

Post-employment benefits of key management personnel amounted to \$12,849 and nil in 2015 and 2014, respectively, and are included under "Project Expenses" account presented in the statements of receipts and expenses (Note 15).

18. Supplementary Information Required by the Bureau of Internal Revenue (BIR) under Revenue Regulations (RR) 15-2010

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS.

As discussed in Note 1 to the financial statements, the Center enjoys a number of tax incentives pursuant to the Agreement signed by the Executive Director of PEMSEA, and the Secretary of the Department of Foreign Affairs on July 31, 2012.

On September 2012, the BIR issued the Certificate of Concurrence by Concerned Agencies and Officials agreeing to the requested action on the ratification of the above Agreement and, through BIR Revenue Memorandum Circular No. 31-2013 issued on April 12, 2013, the BIR categorized PEMSEA as an international organization.

Accordingly, information on the withholding taxes, taxes paid during the year, input value-added taxes (VAT) claimed, output tax declared during the year, the amount of import and amount of custom duties and tariff fees paid or accrued, the amount of excise taxes, documentary stamp taxes and other local taxes and tax cases are not applicable.

As at December 31, 2015, the Center has no pending tax cases in court nor has received tax assessment notices from the BIR.

19. Supplementary Information Presenting Grants and Expenses Per Project (Unaudited)

	For the Year Ended December 31, 2015										Grand Total	
	Global Environment Facility	Ministry of Oceans & Fisheries, Republic of Korea	World Bank	State Oceanic Administration, People's Republic of China	Timor Leste	United Nations Environment Programme	Coastal Management Center	Singapore	Subtotal Per Project	FEMSEA* Agreement**		Cost Sharing Agreement**
Receipts:												
Grants	\$1,676,948	\$228,868	\$405,462	\$160,527	\$99,980	\$65,880	\$22,113	\$20,000	\$2,679,778	\$ -	\$264,296	\$2,944,074
PEMSEA services	-	-	-	-	-	-	-	-	-	298,719	-	298,719
Training fee	-	-	-	-	-	-	-	-	-	343,883	-	343,883
Donation	-	-	-	-	-	-	-	-	-	-	-	-
Interest	380	-	56	-	-	-	-	-	436	2,598	-	3,034
Others	-	-	-	-	-	-	-	-	-	5,369	-	5,369
Total receipts	1,677,328	228,868	405,518	160,527	99,980	65,880	22,113	20,000	2,680,214	650,569	264,296	3,595,079
Expenses:												
Project expenses	1,645,768	-	402,384	-	91,700	65,880	22,113	-	2,227,845	-	-	2,227,845
EAS Congress	-	-	-	-	-	-	-	-	-	446,393	-	446,393
Salaries and wages	-	71,350	-	35,475	-	-	-	-	106,825	55,610	166,908	329,343
Travel and meeting	-	71,624	-	43,045	-	-	-	-	114,669	24,298	71,627	210,594
Depreciation and amortization	-	-	-	-	-	-	-	-	-	3,976	-	3,976
Professional fees	-	-	-	-	-	-	-	15,686	15,686	-	-	15,686
Others	31,560	2,334	3,134	713	-	-	-	-	37,741	-	25,761	63,502
Total expenses	1,677,328	145,308	405,518	79,233	91,700	65,880	22,113	15,686	2,502,766	530,277	264,296	3,297,339
Excess of Receipts over Expenses	\$ -	\$83,560	\$ -	\$81,294	\$8,280	\$ -	\$ -	\$4,314	\$177,448	\$120,292	\$ -	\$297,740

*Represents expenses not charged to a specific project
 **Lifted from the 2015 Combined Delivery Report

For the Year Ended December 31, 2014

	State Oceanic Administration, People's Republic of China										Subtotal Per Project	PEMSEA* Agreement**	Cost Sharing	Grand Total	
	Global Environment Facility	Korea International Cooperation Agency	World Bank	Timor Leste	United Nations Environment Programme	Coastal Management Center	International Maritime Organization	Singapore	PEMSEA* Agreement**	PEMSEA* Agreement**					
Receipts:															
Grants	\$666,222	\$225,000	\$191,970	\$99,980	\$99,658	\$74,995	\$39,198	\$20,000	\$1,578,644	\$ -	\$325,715	\$1,904,359			
PEMSEA services	-	-	-	-	-	-	-	-	-	582,448	-	582,448			
Training fee	-	-	-	-	-	-	-	-	-	28,085	-	28,085			
Donation	-	-	-	-	-	-	-	-	-	4,010	-	4,010			
Interest	-	-	-	-	-	-	-	-	-	3,201	-	3,201			
Others	-	-	-	-	-	-	-	-	-	101,053	-	101,053			
Total receipts	666,222	225,000	191,970	99,980	99,658	74,995	39,198	20,000	1,578,644	718,797	325,715	2,623,156			
Expenses:															
Project expenses	615,406	225,000	130,566	41,413	13,547	28,686	59,729	-	1,114,347	-	18,186	1,132,533			
Salaries and wages	-	-	-	-	-	-	-	-	159,450	712,763	219,116	1,091,329			
Travel and meeting	-	-	-	-	-	-	-	-	5,433	14,811	81,995	102,239			
Depreciation and amortization	-	-	-	-	-	-	-	-	-	4,949	-	4,949			
Professional fees	-	-	-	-	-	-	-	13,533	13,533	15,430	6,418	35,381			
Others	28,806	-	-	-	63	378	-	-	29,247	4,212	-	33,459			
Total expenses	644,212	225,000	130,566	41,413	13,610	29,064	59,729	13,533	1,322,010	752,165	325,715	2,399,890			
Excess (Deficiency) of Receipts over Expenses	\$22,010	\$ -	\$61,404	\$58,567	\$86,048	\$45,931	(\$20,531)	\$6,467	\$256,634	(\$33,568)	\$ -	\$223,266			

*Represents expenses not charged to a specific project
 **Lifted from the 2014 Combined Delivery Report

Basis of Preparation

The supplementary information presenting grants and expenses per project have been prepared using the following basis:

- expenses are recognized when incurred;
- grants are recognized when received; and
- expenditure for the acquisition of intangibles and property and equipment are recognized when paid.

Accordingly, the supplementary information is not intended to present results of operations in conformity with PFRS.

Reporting Framework

The supplementary information presenting grants and expenses per project have been prepared using cash and accrual basis of accounting. Grants and acquisition of property and equipment is recognized using the cash basis of accounting while expenses is recognized using the accrual basis.

Cost Sharing Agreement

The Center provides the secretariat services as well as technical services in the EAS Partnership Council, EAS Congress and various activities. A number of countries have made a commitment to support the operations of the Center, through financial and in-kind contributions. The 11th Project Steering Committee (PSC) approved the Cost Sharing Agreement (CSA) executed between the donor national agency and UNDP, as the instrument for cash contributions to support the Center's secretariat services for the purpose of implementing the SDS-SEA. UNDP receives and administers the payment of contributions in accordance with its rules, regulations, and directives.

The UNDP is responsible for the execution of the project, by applying and enhancing the technical resources of the Center, with guidance from and in coordination with the EAS Partnership Council and EAS Congress. EAS Partnership Council serves as the PSC.

Cash contributions received in 2014 by UNDP are as follows:

	2014
State Oceanic Administration of the People's Republic of China	\$177,274
Ministry of Marine Affairs and Fisheries of the Republic of Korea	116,827
Ministry of Land, Infrastructure, and Transportation of Japan	51,382
	<u>\$345,483</u>

Starting 2015, all cash contributions from China and Korea will be directly received by the Center.

Global Environment Facilities

The expenses incurred under GEF project comprise of the following components:

	2015	2014
Partnerships in Coastal and Ocean Governance	\$788,537	\$254,218
Healthy and Resilient Marine and Coastal Ecosystems	638,080	275,954
Knowledge Platform for Building an Ocean-based Blue Economy	131,643	16,791
Project Management	119,068	67,667
	\$1,677,328	\$614,630

Under the GEF/UNDP/PEMSEA Project on Scaling up Implementation of the SDS-SEA, the project will focus on three key components, namely:

Component 1 On Partnerships in Coastal and Ocean Governance

This component aims to enable a self-sustaining, country-owned regional mechanism governing the LMEs in the East Asian region, including partnerships with other regional and subregional governance mechanisms; adoption of ocean policy, legal instruments and institutional improvements by national and local governments; and innovative financing mechanisms for the continuing support services required by countries for SDS-SEA implementation.

Component 2 On Healthy and Resilient Marine and Coastal Ecosystems

This component aims to increase areal extent of healthy and resilient habitats through conservation-focused ICM programs; by improving management of over exploited and depleted fisheries; reducing discharge of pollutants from land-based activities and improving water use efficiency and conservation; increasing preparedness and capability of coastal communities to respond to natural and man-made hazards; and use of economic and investment instruments to generate funds to rehabilitate and sustain coastal and marine ecosystem services.

Component 3 On Knowledge Platform for Building an Ocean-based Blue Economy

This component aims to develop a knowledge platform for building a sustainable ocean-based blue economy by catalyzing resource allocation for ICM, CCA/DRR and SAP/NAP implementation at national and subregional/LME levels in the East Asian region, in partnership with the YSLME and WCPFC projects under the GEF/UNDP program framework entitled “Reducing Pollution and Rebuilding Degraded Marine Resources in the East Asian Seas through Implementation of Intergovernmental Agreements and Catalyzed Investments”; the 6 projects under the GEF/World Bank program framework entitled “Applying Knowledge Management to Scale up Partnership Investments for Sustainable Development of Large Marine Ecosystems of East Asia and their Coasts”; GEF IW Learn; and other relevant regional and global KM networks.

Project Management

This component involves project management and coordination, financial management, office administration, and human resources management.

COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

P	E	M	S	E	A	R	E	S	O	U	R	C	E	F	A	C	I	L	I	T	Y				
C	E	N	T	E	R																				

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

P	E	M	S	E	A	B	u	i	l	d	i	n	g	,	D	e	p	a	r	t	m	e	n	t	o	f		
E	n	v	i	r	o	n	m	e	n	t	a	n	d	N	a	t	u	r	a	l								
R	e	s	o	u	r	c	e	s	C	o	m	p	o	u	n	d	,	V	i	s	a	y	a	s				
A	v	e	n	u	e	,	Q	u	e	z	o	n	C	i	t	y												

Form Type

Department requiring the report

Secondary License Type, if Applicable

COMPANY INFORMATION

Company's email Address

Company's Telephone Number/s

Mobile Number

No. of Stockholders

Annual Meeting (Month / Day)

Fiscal Year (Month / Day)

CONTACT PERSON INFORMATION

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

Name of Contact Person

Email Address

Telephone Number/s

Mobile Number

CONTACT PERSON'S ADDRESS

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.