SGI PHILIPPINES
GENERAL INSURANCE COMPANY, INC.

FINANCIAL STATEMENTS
DECEMBER 31, 2015

TEODORO SANTAMARIA CANLAS & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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Report of Independent Auditors

The Board of Directors and Stockholders
SGI Philippines General Insurance Company, Inc.
15th Floor, Citibank Tower
8741 Paseo de Roxas
Makati City, Philippines

Report on the Financial Statements
We have audited the accompanying financial statements of **SGI Philippines General Insurance Company, Inc.** which comprise the statements of financial position as at **December 31, 2015 and 2014**, and the statements of profit, statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards (PFRS), 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.

Auditor's 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 auditor's 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 auditor considers 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 **SGI Philippines General Insurance Company, Inc.** as of **December 31, 2015 and 2014**, and the results of its financial performance and cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on Other Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information disclosed in Note 29 of the Notes to financial statements is presented for the purpose of filing with the Bureau of Internal Revenue under Revenue Regulation No. 15-2010 and the supplementary information provided in Schedules 1 and 2 as at December 31, 2015 and for the year then ended as required by the Securities and Exchange Commission under the revised Securities and Regulations Code (SRC) Rule are presented as additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of the management and has been subjected to the auditing procedures applied in our audit 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.

TEODORO SANTAMARIA CANLAS & CO.

By: **Rachel Lydia T. Santamaria**
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BOA/PRC Registration No. 5593
Valid until December 31, 2016
SEC Accreditation No. 1116-AR-1 (Individual)
Valid until May 5, 2017
SEC Accreditation No. 0308-F (Firm)
Valid until April 15, 2018
I.C. Accreditation No. SP 2015-022-R (Individual)
Valid until October 18, 2018
I.C. Accreditation No. SP 2015-002-0 (Firm)
Valid until April 6, 2018
BIR A.N. 08-003408-002-2016
Valid until March 31, 2019
T.I.N. 102-921-088
PTR No.5330191 / Makati City
January 7, 2016

April 7, 2016
Makati City, Philippines

SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.
(A Non-life Insurance Company)

STATEMENTS OF FINANCIAL POSITION

	Notes	December 31 **2015**	2014
		(In Philippine Peso)	
Assets			
Cash and cash equivalents	7	**145,533,810**	73,284,549
Insurance receivables	8	**177,299,651**	146,582,779
Available-for-sale financial assets	9	**177,332,245**	181,120,627
Property and equipment - net	10	**44,212,115**	46,394,790
Deferred reinsurance premium	12	**50,875,938**	36,317,683
Deferred tax assets	25	**6,944,953**	10,406,822
Other assets	13	**8,574,031**	8,751,440
Total Assets		**610,772,743**	502,858,690
LIABILITIES AND EQUITY			
Liabilities			
Insurance liabilities	14	**197,474,697**	104,817,565
Accounts and other payables	15	**11,628,508**	11,479,244
Retirement benefit liability	23	**1,118,391**	571,104
Deferred acquisition cost	11	**3,425,874**	2,094,032
Deferred tax liability	25	**-**	732,310
Income tax payable		**33,279**	23,613
Total liabilities		**213,680,749**	119,717,868
Equity			
Common stock	16	**350,457,200**	350,457,200
Share premium	16	**26,835,235**	26,835,235
Revaluation reserve on AFS financial assets	9	**-**	2,053,101
Actuarial gains on retirement benefit liability, net	17	**589,022**	624,406
Revaluation increment in property	10	**18,327,774**	19,160,854
Excess/(Deficit)		**1,339,963**	(15,532,774)
Treasury shares	16	**(457,200)**	(457,200)
Total equity		**397,091,994**	383,140,822
Total Liabilities and Equity		**610,772,743**	502,858,690

See accompanying notes to financial statements.

SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.
(A Non-life Insurance Company)

STATEMENTS OF PROFIT

	Notes	For the years ended December 31 **2015**	 2014
		(In Philippine Peso)	
Revenues			
Gross premiums written	18	**165,898,227**	100,944,737
Reinsurance premium ceded	18	**(93,542,147)**	(55,658,609)
Net premiums retained		**72,356,080**	45,286,128
Increase in reserve			
for unearned premiums	18	**(8,568,473)**	(1,840,868)
Premiums earned		**63,787,607**	43,445,260
Commissions earned	18	**12,967,358**	5,459,824
Gross underwriting income	18	**76,754,965**	48,905,084
Underwriting deductions	19	**(31,887,252)**	(28,899,042)
Net underwriting income		**44,867,713**	20,006,042
Other income	20	**9,641,578**	8,064,384
Gross profit		**54,509,291**	28,070,426
Operating Expenses			
General and administrative expenses	21	**(31,526,835)**	(27,232,041)
Interest expense		**(5,858)**	(80,926)
Total Expense		**(31,532,693)**	(27,312,967)
Net income		**22,976,598**	757,459
Income Tax (Expense)/ Benefit	25		
Current		**-**	(300,134)
Final		**(2,262,514)**	(1,908,161)
Deferred		**(3,458,789)**	2,467,933
		(5,721,303)	259,638
Net profit		**17,255,295**	1,017,097
Earnings Per Share	26	**19.72**	1.16

See accompanying notes to financial statements.

SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.

(A Non-life Insurance Company)

STATEMENTS OF COMPREHENSIVE INCOME

	Notes	For the years ended December 31 **2015**	 2014
		(In Philippine Peso)	
Net profit		**17,255,295**	1,017,097
Other comprehensive income that recycle to profit or loss in subsequent periods:			
Reversal of allowance in impairment losses	9	**(2,053,101)**	-
Other comprehensive income that do not recycle to profit or loss in subsequent periods:			
Actuarial gain on retirement benefit plan	17	**(35,384)**	-
Total comprehensive income		**15,166,810**	1,017,097

See accompanying notes to financial statements.

SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.
(Formerly: Mornarch Insurance Company, Inc.)
(A Non-life Insurance Company)

STATEMENTS OF CHANGES IN EQUITY

	Common stock (Note 16)	Share premium (Note 16)	Treasury shares (Note 16)	Revaluation reserve on AFS financial asset (Note 9)	Revaluation increment on property and equipments (Note 10)	Actuarial gain/(loss) on retirement benefit obligation (Note 17)	(Deficit)/ Excess	Total
	(In Philippine Peso)							
Balances, January 1, 2014	350,457,200	28,057,635	(457,200)	2,053,101	19,993,934	624,406	(16,027,361)	384,701,715
Attributable cost of issuance of stocks	-	(1,222,400)	-	-	-	-	-	(1,222,400)
Expired excess MCIT	-	-	-	-	-	-	(522,510)	(522,510)
Depreciation of property and equipment	-	-	-	-	(833,080)	-	-	(833,080)
Total comprehensive income	-	-	-	-	-	-	1,017,097	1,017,097
Balances, December 31, 2014	350,457,200	26,835,235	(457,200)	2,053,101	19,160,854	624,406	(15,532,774)	383,140,822
Total comprehensive income	-	-	-	(2,053,101)	-	(35,384)	17,255,295	15,166,810
Expired excess MCIT (Note 25)	-	-	-	-	-	-	(382,558)	(382,558)
Depreciation of property and equipment	-	-	-	-	(833,080)	-	-	(833,080)
Balances, December 31, 2015	**350,457,200**	**26,835,235**	**(457,200)**	**-**	**18,327,774**	**589,022**	**1,339,963**	**397,091,994**

See accompanying notes to financial statements.

SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.
(A Non-life Insurance Company)

STATEMENTS OF CASH FLOWS

	Notes	For the years ended December 31	
		2015	2014
		(In Philippine Peso)	
Cash flows from operating activities			
Profit before income tax		**22,976,598**	757,459
Adjustments for:			
Depreciation	21	**1,563,017**	1,976,211
Decrease in deferred acquisition costs	11	**1,331,842**	6,385,576
(Increse)/Decrease in reserve for unearned premiums	18	**(8,568,473)**	1,840,868
Premium receivable written-off	8	**(18,477,336)**	-
Reversal of allowance on impairment losses	20	**(139,445)**	-
Fair value adjustment on AFS financial assets	9	**1,874,726**	-
Interest income	20	**(9,578,435)**	(8,064,384)
Retirement benefit expense/ provision	21, 23	**496,738**	560,144
Interest expense on notes payable		**5,858**	80,926
Operating (loss)/income before working capital changes		**(8,514,910)**	3,536,800
Increase in insurance receivables	8	**(12,239,536)**	(16,932,521)
Decrease/(Increase) in other assets	13	**177,409**	(299,152)
Increase in insurance contract liabilities	14	**86,667,350**	13,781,855
Increase in accounts and other payables	15	**149,264**	5,304,477
Net cash provided by operations		**66,239,577**	5,391,459
Retirement benefits paid		**-**	(560,144)
Income taxes paid	25	**(3,349,470)**	(2,449,200)
Net cash provided by operating activities		**62,890,107**	2,382,115
Cash flows from investing activities			
Acquisition of government bonds	9	**-**	(116,793,545)
Acquisition of property and equipment	10	**(213,423)**	(86,205)
Interest income earned	20	**9,578,435**	8,060,815
Net cash provided by/ (used in) investing activities		**9,365,012**	(108,818,935)
Cash flows from financing activities			
Attributable cost on issuance of capital stocks	16	**-**	(1,222,400)
Interest paid		**(5,858)**	(80,926)
Net cash used in financing activities		**(5,858)**	(1,303,326)
Net increase/ (decrease) in cash and cash equivalents		**72,249,261**	(107,740,146)
Cash and cash equivalents, January 1	7	**73,284,549**	181,024,695
Cash and cash equivalents, December 31	7	**145,533,810**	73,284,549

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
(Amounts in Philippine Peso Unless Otherwise Stated)

1. Corporate information

SGI Philippines General Insurance Company, Inc. (the Company) is a domestic corporation which was incorporated in the Philippines on April 2, 1964.

The company is engaged in the business of nonlife insurance indemnifying any person against loss, damage, or liability arising from unknown or contingent events. Its current lines include all kinds of insurance (except life), reinsurance, insurance on buildings, automobiles, cars, and other motor vehicles goods and merchandise, goods in transit, goods in storage, fire insurance, earthquake, insurance against accident, and all other forms of undertakings.

As at December 31, 2015, the Company's total paid-up capital is 51.14% owned by Shriram General Insurance Co. Ltd., a corporation organized under the laws of India, and 12.10% owned by Bharath Investment Pte. Ltd., a corporation organized and existing under the laws of Singapore. The ownership of the rest of the stockholders ranges from less than 1% to 8.65%.

The registered office and principal address of the Company is at 15th Floor, Citibank Tower, 8741 Paseo De Roxas, Makati City, Philippines.

2. Summary of significant accounting policies

Statement of compliance
The accompanying financial statements were prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), Interpretation of the Philippine Interpretations Committee (PIC), Standing Interpretation Committee (SIC), and International Financial Reporting Standards Interpretations Committee (IFRS IC) which have been adopted by the Financial Reporting Standards Council (FRSC) and approved by the Board of Accountancy (BOA) and the SEC.

Basis of preparation
The accompanying financial statements have been prepared on a historical cost convention method, as modified for available for sale financial assets. The preparation of the financial statements in accordance with PFRS requires the use of critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed in Note 3.

Functional and presentation currency
These financial statements are presented in Philippine Peso, the Company's functional currency and all values are rounded to the nearest Peso, except when otherwise indicated.

Adoption of New Standards, Amendments to Standards and Interpretations
The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's financial statements as of and for the year ended December 31, 2014, except for the adoption of following new standards and amendment to standards and interpretations effective on January 1, 2015.

The nature and impact of each new standard and amendment is described below:

- Amendments to PAS 19, Employee Benefits - Defined Benefit Plans: Employee Contributions. PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendments have no impact to the Company since it has no defined benefit plans with contributions from employees or third parties.

Annual Improvements to PFRS (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-201 2 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact to the Company. These are the following:

- PFRS 2, Share-based Payment -Definition of Vesting Condition. The improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions.

- PFRS 3, Business Combinations - Accounting for Contingent Consideration in a Business Combination. The amendment is to be applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, Financial Instruments: Recognition and Measurement, (or PFRS 9, Financial Instruments, if early adopted).

- PFRS 8, Operating Segments -Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets. The amendments are applied retrospectively and clarify that:

    - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
    - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization. The amendment is to be applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, Related Party Disclosures - Key Management Personnel. The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRSs (2011-2013 cycle)
The following Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact to the Company, thus:

- PFRS 3, Business Combinations - Scope Exceptions for Joint Arrangements. The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3: Joint arrangements, not just joint ventures, are outside the scope of PFRS 3. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, Fair Value Measurement - Portfolio Exception. The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable).

- PAS 40, Investment Property. The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

There are other new standards and amendments applicable for the first time in 2015. However, they do not significantly impact the financial statements of the Company.

Future Adoption of New Standards and Amendments to Standards
The Company will adopt the following new standards and amendment to standards enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new standards and amendment to standards to have significant impact on the financial statements.

Effective January 1, 2016

- PAS 16, Property, Plant and Equipment (Amendments). The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendments are not expected to have any impact to the Company given that it has not used a revenue-based method to depreciate its non-current assets.

- PAS 27, Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact to the Company's financial statements.

- PFRS 10, Financial Statements and PAS 28, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016. These amendments are not expected to have any impact to the Company

- PFRS 11, Joint Arrangements -Accounting for Acquisitions of Interests in Joint Operations (Amendments). The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling patty. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company.

- PFRS 14, Regulatory Deferral Accounts. PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity’s rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Company is an existing PFRS preparer, this standard would not apply.

Annual Improvements to PFRSs (2012-2014 cycle)
The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact to the Company. They include:

- PFRS 5, Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal. The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal; rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, Financial Instruments: Disclosures-Servicing Contracts. PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 -Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements. This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, Employee Benefits - Regional Market Issue Regarding Discount Rate. This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'. The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

- Disclosure Initiative (Amendments to PAS 1). The amendments to PAS 1 addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:
    - Information should not be obscured by aggregating or by providing immaterial information.
    - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.
    - The list offline items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated

and aggregated as relevant and additional guidance on subtotals in these statements.
- An entity's share on OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

- Investment Entities: Applying the Consolidation Exception (Amendments to PFRS 10, PFRS 12 and PAS 28) clarifies that:
    - A subsidiary that provides investment-related services should not be if the subsidiary itself is an investment entity.
    - The exemption from preparing financial statements for an intermediate held by an investment entity, even though the investment entity does not consolidate the intermediate
    - When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2016.

Effective January 1, 2018

- PFRS 9, Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version). PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

- PFRS 9, Financial Instruments (2014 or final version). In July 2014, the final version of PFRS 9, Financial Instruments, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

<u>Standards issued by International Accounting Standards Board not yet adopted in the Philippines</u>

Effective January 1, 2018

- Philippine Financial Reporting Standards (PFRS) 15, Revenue from Contracts with Customers. PFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January l, 2018 with early adoption permitted. The Company is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Effective January 1, 2019

- PFRS 16, Leases. PFRS 16 Leases was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted if PFRS 15 Revenue from Contracts with Customers has also been applied. PFRS 16 standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with PFRS l 6’s approach to lessor accounting substantially unchanged from PAS 17. The Company is currently assessing the impact of PFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

<u>IC Circular Letter (ICL) No. 2015-32</u>
On June 10, 2015, the IC issued IC Circular Letter (ICL) No. 2015-32, *Valuation Standards for Non-life Insurance Policy Reserves.* The following are the more significant provisions of this Circular:

1. A non-life insurance company must value the policy reserves of its life business at the end of each calendar year as required by the IC, in accordance with this set of Valuation Standards for Life Insurance Policy Reserves.

2. The methods and valuation assumptions must:
   a. be appropriate to the type of business and its risk profile;
   b. include appropriate margins for adverse deviations in respect of the risks that arise under the insurance policy;
   c. be in accordance with the internationally accepted actuarial standards; and
   d. consider the generally accepted actuarial principles concerning financial reporting framework promulgated by the Actuarial Society of the Philippines (ASP).

3. Unless the context otherwise requires, the following terms shall be taken to mean:

   a. “company” refers to a non-life insurance company or professional reinsurance company supervised by the IC

b. “actuary” refers to an in-house actuary of the company or an external consulting actuary accredited by the IC
c. “policy reserves” refers to the aggregate of premium liabilities and losses and claims payable
d. "UPR' means Unearned Premium Reserves, and is the reserve for that portion of the premium received which is attributable to a period of risk falling beyond the valuation date
e. "URR" means Unexpired Risk Reserves, and is an estimate of the total liability (including expenses), at a designated level of confidence, in respect of the risk after the valuation date of policies written prior to that date including expenses for policy management and claims settlement costs

Valuation Methodology

1. The Actuary, as set out in the Amended Insurance Code, shall be responsible to determine the level of policy reserves using bases no less stringent than that prescribed paragraphs below.

2. The reserves for a non-life insurance policy shall be composed of premium liabilities and losses and claims payable determined using best estimate assumptions, and appropriate Margin for Adverse Deviation (MfAD) for expected future experience.

3. Premium Liabilities.

   a. Premium liabilities for each class of business shall be determined as the higher of UPR and URR.
   b. The UPR shall be calculated based on the 24th method for all classes of business. The computation for UPR-gross of reinsurance includes the unearned portion of premiums written by a non-life insurance company as at valuation date. The computation for UPR-net of reinsurance includes the deferred reinsurance premiums.
   c. The URR shall be calculated as the best estimate of future claims and expenses for all unexpired policies as of valuation date and for all classes of business, with MfAD. This best estimate relates to expected future payments arising from future events after the valuation date and includes any expenses expected to be incurred in administering the policies and settling relevant claims. Expected future claims shall include all claims which might occur during the unexpired period including: claims which are reported after the end of the unexpired exposure period, but have occurred within the unexpired exposure period; and claims which are reopened at any date, but have occurred within the unexpired exposure period. Expected future expenses shall include policy maintenance expenses and claims management expenses (i.e., direct and indirect claims settlement costs).
   d. The URR may be estimated as the unearned premium for each class of business, multiplied by the ultimate loss ratio and adjusted for future expenses. The Actuary may consider an adjustment of the ultimate loss ratio by allowing for large and catastrophic losses; however, these should be captured on a best estimate basis considering the severity apportioned by the expected frequency of such a loss.

4. Losses and Claims Payable

   a. Losses and claims payable for both direct business and assumed treaty and facultative reinsurance business shall be calculated as the sum of outstanding claims and IBNR, with MfAD.

b. Outstanding claims shall be based on actual claims reported but have not been settled. The company shall ensure integrity of the data inputs as well as minimize uncertainties in the claims processing. The IBNR shall be calculated based on standard actuarial projection techniques or combinations of such techniques, such as but not limited to the chain ladder approach, the expected loss ratio approach, and the Bornhuetter-Ferguson (BF) method. The Actuary shall determine the appropriateness of the methodology considering the characteristics of the data, such as maturity of the business.
c. The company shall incorporate IBNER, either as part of the IBNR provision, or as a separate liability account depending on the technique adopted. IBNER is relevant for classes of business which naturally exhibit a long claims settlement pattern.
d. The Losses and Claims Payable shall include a provision for Loss Adjustment Expenses Payable, which covers the estimated expenses of adjusting all claims, reported, unreported and outstanding as of valuation date.
e. The Actuary shall ensure the reliability of the expected loss ratio by obtaining estimates from various sources, such as underwriters, the business plan, pricing actuaries, market statistics, or from a historic view of profitability and loss ratios.
f. In valuing Losses and claims payable, the Actuary should consider other factors such as but not limited to: varying expense structure in run-off situations, large losses arising from significant past events, operational changes in claims management, underwriting changes such as business mix and premium rate changes, changes in reinsurance program and changes in claims handling process.
g. To ensure sufficiency of reserves, the Actuary shall conduct a back-testing exercise of the IBNR by comparing the previous year's IBNR of expected current year claim developments, with actual current year claim developments. In cases where the IBNR has proven insufficient to cover actual claims development, the Actuary shall revisit the assumptions for IBNR valuation and document the rationale for this deterioration.

5. Margin for Adverse Deviation

   a. The company shall include an MfAD to allow for inherent uncertainty of the best estimate of the policy reserves. The purpose of the MfAD is to consider the variability of claims experience within a class of business, the diversification between classes of business and conservatism in the best estimate.
   b. For the parallel runs, MfAD shall be set at 10% across all classes of business. On the first year of full implementation of this Valuation standard, MfAD values shall be computed by the industry and approved by the IC.
   c. For subsequent periods of reporting, the company shall be allowed to estimate MfAD to achieve at least 75% level of sufficiency using internal models and company-specific data, and considering the particular characteristics of each class of business. The level of sufficiency applied in estimating MfAD shall be used consistently and shall be approved by the IC. The internal models used in estimating MfAD shall also be subject to the IC's policy review.
   d. To ensure appropriateness of assumptions, the IC shall provide companies with updated MfAD values annually.

Discounting

a. The Actuary shall determine the materiality of discounting the cash flows in calculating the policy reserves. It shall be emphasized that cash flow timing is based on claims delay pattern and not on policy maturity.

b. The Actuary deems it material to discount the cash flows in computing the policy reserves; the Actuary shall use current risk-free rates. The rates shall exactly match the duration of the policy and the currency of the cash flows and shall be prescribed by IC.

The above ICL becomes effective on June 30, 2016. The Company assesses the effect of this circular and has made disclosures in the notes to the financial statement based on its parallel run as of December 31, 2015.

Significant accounting policies

Cash and cash equivalents
Cash includes cash on hand and with 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 from dates of acquisition and that are subject to an insignificant risk of changes in value.

Foreign currency translation
Transactions in foreign currency are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated using the functional currency rate of exchange ruling at the reporting date. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. All foreign exchange differences are taken to profit or loss, except where it relates to equity securities where gains or losses are recognized directly in other comprehensive income, the gain or loss is then recognized net of the exchange component in other comprehensive income.

Financial instruments
Date of recognition
Financial instruments are recognized in the statements of financial position when the Company becomes a party to the contractual provisions of the instrument. All regular way of purchases or sales of financial assets are recognized on the trade date, which is the date the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Initial recognition of financial instruments
Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). All financial assets are initially measured at fair value plus transaction costs, except for financial instruments valued at fair value through profit or loss (FVPL). Financial assets are classified as either financial assets at FVPL, loans and receivables, held to maturity (HTM) investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Financial liabilities are classified as financial liabilities at FVPL, and other financial liabilities at amortized cost. The classification depends on the purpose for which the financial instruments were acquired and whether these are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Company has no financial asset and liabilities at FVPL, HTM investments or derivatives for the years ended December 31, 2015 and 2014.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual agreement. Interest, dividends, gains and losses relating to a financial instrument or component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

<u>Loans and receivables</u>
Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not held for trading.Loans and receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, Loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortization is included under “Investment Income” account in profit or loss. The losses arising from impairment are recognized in Provision for impairment in the statements of comprehensive income.

Loans and receivables are included in current assets if maturity is within twelve (12) months from reporting period or in the next normal operating cycle of the Company, otherwise these are classified as non-current assets.

As of December 31, 2015 and 2014, the Company’s loans and receivables include cash and cash equivalents, and other assets.

<u>Other financial receivables</u>
Other financial receivables include “Insurance receivables” which are recorded when due and measured at the original invoice amount then subsequently carried at amortized cost less allowance from any uncollectible amount. The carrying value of insurance receivables is reviewed from impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in the Statement of comprehensive income.

<u>Available for sale financial assets</u>
Available for sale (AFS) financial assets or investments are nonderivative financial assets which are designated as AFS such or do not qualify to be classified or designated as financial assets at FVPL, HTM investments or loans and receivables. AFS financial assets or investments are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. AFS investments include equity investments, money market papers and other debt instruments.

After initial measurement, AFS financial assets or investments are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in earnings. The impact of restatement of foreign-currency denominated AFS equity securities is recorded in the equity section of the statements of financial position. The unrealized gains and losses arising from the fair valuation of AFS investments are excluded, net of tax, from reported earnings and will be reported as “Net unrealized gains/losses on AFS financial assets” in the statement of comprehensive income and in the equity section of the statements of financial position.

When an AFS financial asset is disposed of, the cumulative gain or loss previously recognized in the equity section of the statement of financial position is recognized in the profit or loss in the statement of comprehensive income Where the Company holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. Interest earned on holding AFS debt securities are reported in profit or loss in the statement of comprehensive income as ‘Interest income’ using effective interest rate. Dividends earned on holding AFS equity securities are recognized in statements of comprehensive income when the right of the payment has been established. The losses arising from impairment of such investments are recognized as ‘Provision for credit losses’ in the profit or loss in the statements of comprehensive income and removed from ‘Changes in fair values of AFS financial assets’ in other comprehensive income.

<u>Derecognition of financial assets</u>
A financial asset (or, where applicable a part of a financial asset or part of a similar financial assets) is derecognized where:

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

- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

- The Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset or has entered into a ‘pass-through’ arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that Company could be required to repay.

<u>Impairment of financial assets</u>
The Company assesses at each balance sheet date whether a financial asset or 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 an objective evidence of impairment as a result of one or more events that has occurred after initial recognition of the asset (as incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the debtors or group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with default.

<u>Impairment of financial assets at amortized cost</u>
The Company 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 an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the statements of comprehensive income. The asset together with the associated allowances are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statements of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Impairment of AFS financial assets
The Company assesses at each reporting date whether there is objective evidence that an AFS financial asset or a group of AFS financial assets is impaired. For equity investments classified as AFS financial assets, objective evidence of impairment would include a significant or prolonged decline in fair value of the investments below its cost. Significant decline in fair value is evaluated against the original cost of investment, while prolonged decline is assessed against the periods in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of comprehensive income, is removed from the other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed in the statement of comprehensive income. Increases in fair value after impairment are recognized in other comprehensive income.

Impairment of insurance receivable
A provision for impairment is made when there is objective evidence (such as probability of insolvency or significant financial difficulties of the debtor) that the company will not be able to collect all the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

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

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

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets and liabilities
- Level 2 – Valuation techniques for which the lowest level input that us significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

<u>Other financial liabilities</u>
Issued financial instruments or their components, which are not classified as financial liabilities at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder or lender, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments.

After initial measurement, 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 amortization is included as part of interest expense in the statements of comprehensive income. Any effect of restatement of foreign currency-denominated liabilities is recognized in foreign exchange gains/(losses) account in the statements of comprehensive income.

As at December 31, 2015 and 2014, the Company's other financial liabilities include insurance liabilities and accounts and other payables.

<u>Derecognition of financial liabilities</u>
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Where 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 exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of comprehensive income.

Offsetting of financial instruments

Financial assets and liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Company intends to either settle on a net basis, or to realize the asset and the liability simultaneously. The legally enforceable right must not be contingent in future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

Product classification

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligation are extinguished or have expired. Investment contracts can however be reclassified as insurance contracts after inception if the insurance risk becomes significant.

Insurance and investment contracts are further classified as being with or without discretionary participation features (DPF). DPF is a contractual right to receive, as a supplement to guaranteed contracts, additional benefits that are likely to be a significant portion of the total contractual benefits, whose amount or timing is contractually at the discretion of the issuer, and that are contractually based on the performance of a specified pool of contracts or a specified type of contract, realized and or unrealized investment returns on a specified pool of assets held by the issuer, or the profit or loss of the company, fund or other entity that issues the contract.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation is required to measure these embedded financial derivatives separately at FVPL. Bifurcation is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF or when the host insurance contract and/or investment contract with DPF itself is measured at FVPL. The options and guarantees within the insurance contracts issued by the Company are treated as derivative financial instruments are clearly and closely related to the host insurance and therefore not bifurcated subsequently. As such, the Company does not separately measure options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate). Likewise, the embedded derivative in unit-linked insurance contracts linking the payments on the contract to units of an interval investment fiend meets the definition of an insurance contract and is therefore not accounted separately from the host insurance contract.

Insurance contract

Non-Life insurance contract liabilities. Non-life insurance contract are recognized when the contracts are entered into and the premiums are recognized. The reserve for Non-life insurance contracts is calculated on the basis of a prudent prospective actuarial valuation method where he assumptions used depend on the circumstances prevailing in each life operation. Assumptions and actuarial valuation methods are also subject to provisions of the Insurance Code (the Code) and guidelines set by the Insurance Commission.

Insurance contracts with fixed and guaranteed terms. The liability is determined as the expected discounted value of the benefit payments less the expected discounted value of the theoretical premiums that would be required to meet the benefits based on the valuation assumptions used. The ability is based on mortality, morbidity and investment income assumptions that are established at the time the contract is issued. The Company has different assumptions for different products. However, liabilities for contractual benefits are computed to comply with statutory requirements, which require discount rates to be not more than 6% compound interest and mortality and morbidity rates to be in accordance with the standard table of mortality and morbidity. Reserves are computed per thousand of sum insured and depend on the issue age and policy duration. The net change in legal policy reserves during the year is taken to profit or loss. This is not applicable to the Company.

<u>Contract classification</u>
The company issues short-term insurance contracts categorized as:

Casualty insurance contracts protect the assured against the risk of causing them harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events.

Property insurance contracts mainly compensate the Company's assured for damages suffered to their properties or for the value of property lost.

Short-duration accident insurance protects the assured from the consequences of events such as death or disability.

An insurance contract remains in force at the inception date of policy until its maturity regardless of number of claims reported and for as long as the coverage is sufficient.

<u>Deferred acquisition costs</u>
Costs that vary with and are primarily related to the acquisition of new and renewal insurance contracts such as commissions, certain underwriting and policy issue costs and inspection fees, are deferred and charged to expense in proportion to premium revenue recognized.

<u>Claim cost recognition</u>
Liabilities for unpaid claim costs and claim adjustment expenses relating to insurance contracts are accrued when insured events occur.

The liabilities for unpaid claims (including those for incurred but not reported) are based on the estimated ultimate cost of settling the claims. The method of determining such estimates and establishing reserves are continually reviewed and updated. Changes in estimates of claim costs resulting from the continuous review process and differences between estimates and payments for claims are recognized as income or expense of the period in which the estimates are changed or payments are made.

Share in recoveries on claims are evaluated in terms of the estimated realizable values of the salvage recoverable. Recoveries on claims are recognized in the Statement of comprehensive income and expenses in the period the recoveries are determined. Recoverable amounts are presented as part of Reinsurance assets.

Estimated recoveries on settled and unsettled claims are evaluated in terms of the estimated realizable values of the salvage recoverable and deducted from the liability for unpaid claims.

<u>Liability adequacy test</u>
At each reporting date, liability adequacy test are performed to ensure the adequacy of the insurance liabilities. The test considers current best estimates of all contractual cash flows, claims and claims handling cost. If the test shows that the liability is inadequate, the entire deficiency is recognized in the statement of comprehensive income.

<u>Reinsurance</u>
The Company utilizes reinsurance agreements to minimize its exposure to large losses in all aspects of its insurance business. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Company as direct insurer of the risks reinsured.

Amounts recoverable from insurers that relate to paid and unpaid claims and claim adjustment expenses are classified as assets. Reinsurance receivables and the related liabilities are reported separately.

Reinsurance commissions are deferred and deducted from the applicable deferred acquisition costs, subject to the same amortization method as the related acquisition costs.

An impairment review is performed at each reporting period or more frequently when indication of impairment arises during the year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company receives from the reinsurer can be measured reliably. The impairment loss is recorded is charged to profit or loss.

The Company also assumes reinsurance risk in the normal course of business. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balance due to reinsurance companies, which are included in insurance payable account in the Statement of financial position. Amounts payable are estimated in a manner consistent with the associated insurance contract.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired or when the contract is transferred to another party.

<u>Property and equipment</u>
Property and equipment, including owner-occupied properties, are computed at cost less accumulated depreciation, amortization and accumulated impairment in value. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Office premises and improvements	40 years
Furnitures and office equipment	10 years
Transportation and computer equipment	5 years

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to operations as incurred. Leasehold improvements are amortized over estimated useful life of the improvements or the term of the relate lease, whichever is shorter. When assets are sold, retired or otherwise disposed of, their cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss charged to current operations.

The residual values and estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at each reporting period.

Derecognition of property and equipment
An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Statement of comprehensive income in the year the item is derecognized. This is not applicable to items that still have useful lives but are currently classified as idle. Depreciation continues for those items until fully depreciated or disposed.

Impairment of Non-financial Assets
At each reporting date, the Company assesses whether there is any indication that its non-financial assets may be impaired. When an indicator of impairment exists (or when annual impairment testing for an asset is required), the Company estimates the recoverable amount of the impaired assets. The recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use is the present value of future cash flows expected to be derived from an asset while fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less cost of disposal. Where the carrying amount of an asset exceeds its recoverable amount, the impaired asset is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

An impairment loss is charged to profit or loss in the period when it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged directly to the revaluation increment of the said asset.

For non-financial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the net recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its net recoverable amount. The reversal can be made only to the extent that the resulting carrying value does not exceed the carrying value that would have been determined, net of depreciation and amortization, had no impairment loss been recognized. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Related party relationships and transactions
Parties are considered to be related if one party has the ability to control or exercise significant influence over the party in making financial and operating decisions. This includes: (1) individual owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Company; (2) associates; (3) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

Transactions between related parties are accounted for at arms' length prices or on terms similar to those offered to non-related entities in an economically comparable market.

Equity
Capital stock is determined using the nominal value of shares that have been issued. Share premium represents the excess of consideration received when the Company issues shares over its par. Incremental costs incurred directly attributable to the issuance of new shares are treated as deduction from APIC.

Treasury shares are portion of shares that a company keeps in their own treasury. Treasury stock may have come from a repurchase or buyback from shareholders; or it may have never been issued to the public in the first place. These shares don't pay dividends, have no voting rights, and should not be included in shares outstanding calculations.

Revaluation reserve on AFS financial assets comprise of gains and losses due changes in fair value of available-for-sale financial assets.

Revaluation increment in property and equipment results from appraisal of property and equipment.

Retained earnings/ (deficit) include all current and prior period results as disclosed in the Statement of comprehensive income.

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

- Premiums are recognized as revenue from short duration insurance contracts over the period of the contracts using the 24th method, except for marine cargo insurance contracts. The gross premiums written for marine cargo insurance policies for the first ten months of the year and the last two months of the preceding year are recognized as premium income in the current year. The portion of the premiums written that relate to the unexpired periods of the policies at Reporting periods and the last two months of marine cargo policies are accounted for as reserve for unearned premiums and presented in the liabilities section of the Statement of financial position, under "Reserve for unearned premiums". The related reinsurance premiums that pertain to the unexpired periods accounted as for as deferred reinsurance premiums shown in the Statement of financial position. The net changes in these accounts between Reporting period are charged to or credited against income for the year;

- Commissions income are recognized as revenue from short duration insurance contracts over the period of the contracts using the 24th method, except for marine cargo insurance contracts where the deferred portion pertains to the commissions for the last two months of the year. The portion of the commissions that relates to the unexpired periods of the policies at the reporting period is accounted for as "Deferred reinsurance commissions" and presented in the liabilities section of the statement of financial position.

- Dividend income is recognized when the right to receive dividends is established;

- Interest income is recognized as the interest accrues (taking into account the effective yield on the interest);

Revenue is measured by reference to the fair value of consideration received or receivable by the Company for the services provided, excluding value added tax (VAT).

Expense recognition

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease equity, other than those relating to distributions to equity participants. Expenses are recognized when the related revenue is earned or when the service is incurred.

Leases

The determination of whether an arrangement is based on the substance of arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A restatement is made after the inception of the lease only if one of the following applies:

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

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

Leases which do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the statement of comprehensive income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Retirement benefit costs

Retirement benefits liability, as presented in the statement of financial position, is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, if any, adjusted for the effect of limiting a net defined asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under defined benefit plan is actuarially determined using the projected unit credit method. The retirement benefit costs comprise of the service cost, net interest on the net defined liability or asset and the remeasurements of net defined liability or assets.

Service costs which include service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendments or curtailments occurs. These amounts are calculated periodically by independent qualified actuaries.

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not classified to profit or loss in subsequent periods.

Income taxes

Current tax assets or liabilities comprise those claims from, or obligation to, taxation authorities relating to the current or prior reporting period, that are uncollected or unpaid at the reporting period. They are calculated according to the tax rates and tax laws applicable to the calendar periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the Statement of comprehensive income.

Deferred tax is provided, using the balance sheet liability method on all temporary differences at the balance reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Under the balance sheet liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused net operating loss carry over (NOLCO) and unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax, if there are any, to the extent that it is probable that taxable profit will be available against deductible temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting period.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred income tax assets and liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and same taxing authority.

Under the present Revenue Code, MCIT of two percent (2%) of the gross income as of the end of the taxable year is hereby imposed on a corporation beginning on the fourth year immediately following the year in which such corporation commenced its business operations, when the income tax computed based on MCIT is greater than the tax computed as normal tax under Subsection (A) of Section 27 of the Code, for the taxable year.

Under current tax laws, corporations subject to income tax are required to file quarterly returns and pay the corresponding amount of tax. Certain forms of income received by the Company such as earnings from bank deposits, interest and others have been subjected to withholding tax at various rates specified by law and remitted by payors for the account of the Company. An adjustment return is filed at the end of the taxable year at which time the balance, if any, shall be paid.

Earnings per share

Earnings per share is computed by dividing net profit by the weighted average number of shares subscribed and issued and outstanding at the end of the year.

Provisions and contingencies
Provisions are recognized when present obligation will probably lead to an outflow of economic resources and they 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.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at reporting period, including the 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 if 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.

Provisions are reviewed at each reporting period and adjusted to reflect the current best estimate.

Contingent liabilities are not recognized in the financial statements, however, they are disclosed if material. In those cases where the 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.

Events after the reporting period
Events after the reporting period that provide additional information about the Company’s financial position at the reporting period (adjusting events) are reflected in the financial statements. Post year-end events are disclosed in the notes when material.

3. Significant accounting judgments and estimates

The Company’s financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. Actual results may ultimately differ from these estimates.

Critical judgments in applying accounting policies
In the process of applying the Company’s accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

Determination of functional and presentation currency
Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Philippine pesos, which is the Company’s functional and presentation currency.

Determination of operating lease
Company as a lessee – The Company entered into various lease agreements with a term of one (1) year and renewable upon mutual terms by the parties.

Rental expense amounted to P1,786,808 in 2015 and P1,419,131 in 2014 (Please see Note 21).

Categories of financial instruments
The company classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument based on the substance of the contractual arrangement and the definitions of financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification at initial recognition and re-evaluates this designation at every financial reporting date (Please see Note 5).

Impairment of financial assets
The Company follows the guidance of PAS 39 in determining when an investment is other-than-temporarily impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its costs; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Provisions and contingencies
Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 2 – Provisions.

Estimates
The estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances of the Company's financial statements. Actual results could differ from those estimates. The following are the relevant estimates performed by Management on its December 31, 2015 and 2014 financial statements:

Valuation of financial instruments
The Company carries certain financial instruments at fair value, which requires the extensive use of accounting estimates and judgment. Significant components of fair value measurement were determined using verifiable objective evidence from observable active markets and other valuation techniques including the use of mathematical models. However, the amount of changes in fair value would differ if the Company utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit and loss and equity.

Management valuation methods and assumptions in determining the fair value of the Company's financial instrument are discussed in Note 5.

Allowance for impairment losses of receivables
Allowance is 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 age of accounts, collection experience and historical loss experience.

Allowance for impairment losses amounted to P3,745,805 and P22,223,141 in 2015 and 2014, respectively.

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

Property and equipment, net of accumulated depreciation, amounted to P44,212,115 in 2015 and P46,394,790 in 2014. (Please see Note 10).

Impairment of non-financial assets
PFRS requires that an impairment review be performed when certain impairment indicators are present. The Company's policy on estimating the impairment of non-financial asset is discussed in detail in Note 2 – Impairment of non-financial assets. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations. Based on Management's assessment, there is no impairment loss on non-financial assets needed to be recognized in 2015 and 2014.

Realizable amount of deferred income tax assets
The Company reviews its deferred income tax assets at each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred income tax assets amounted to P6,944,953 and P10,406,822 in 2015 and 2014, respectively (Please see Note 25).

Liability for insurance claims
Estimates have been made both of expected ultimate cost of claims reported at the reporting period and for the expected ultimate cost of the claims incurred but not yet reported at the reporting period. It can take significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, unreported claims significantly comprise the claims payable presented in the Statement of financial position. At each reporting date, prior year claims estimates are assessed for adequacy and changes made are charged to the Statement of comprehensive income at a non-discounted amount for the time value of money.

Insurance claims payable of December 31, 2015 and 2014 amounted to P42,942,260 and P17,465,693, respectively. (Please see Note 14).

Employee retirement benefits
The determination of the Company's obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by an actuary in calculating

such amounts. Those assumptions are described in Note 23 and include, among others, discount rate, expected rate of return on plan assets and salary increase rate. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expenses and recorded obligation in such future periods.

The estimated retirement benefits obligation amounted to P1,118,391 in 2015 and P 571,104 in 2014. Accumulated actuarial gains and losses, net of tax, amounted to P589,022 gain in 2015 and P624,406 gain in 2014 and retirement benefits expense amounted to P496,738 in 2015 and P560,144 in 2014.

4. <u>Risk management objectives and policies</u>

The Company is exposed to a variety of financial risk in relation to its financial instruments. The Company's financial assets and liabilities by category are summarized in Note 5. The main types of risks are insurance risk, market, credit and liquidity.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write option. The most significant financial risks to which the Company is exposed to are described as follows.

<u>Insurance risk</u>
The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, the risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under the insurance contracts is that actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency of the severity of claims and benefits are greater than estimated.

Insurance events are random and then the actual number of the amount of claims and benefits will vary from year to year from the estimated established using statistical techniques. Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in the subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Apart from the Company's risk management function, regulators also apply a vital role in the insurance industry in ensuring that policyholders and creditors are assured of any claims that may arise within the term of the policy. The Insurance Commission (IC) imposes:

- Risk-based capital framework that will effectively manage the equity requirement of the Company

- Margin of solvency which requires an appropriate ratio of admitted assets over admitted liabilities

- A mandatory reserve of highly-liquid debt instruments to answer the claims of policyholders and creditors

- And minimum statutory net worth to streamline the operation of insurance industry.

Internally, the Company manages its risks through underwriting strategy and reinsurance arrangements.

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured events. Other reinsurance facility entered includes surplus treaties, catastrophe cover and facultative reinsurance.

The concentration of insurance claims as of December 31, 2015 and 2014 are as follows:

2015				
	Gross	RI Recoverable	Net Liability	%
Fire	31,311,421	29,008,889	2,302,532	26%
Motor Car	5,015,426	1,393,240	3,622,186	41%
Engineering	3,143,464	1,561,370	1,582,094	18%
Marine	778,674	632,673	146,001	2%
Medical	4,371	-	4,371	0%
PA	293,148	-	293,148	3%
Miscellaneous	2,395,756	1,585,373	810,383	9%
	42,942,260	34,181,545	8,760,715	100%

2014				
	Gross	RI Recoverable	Net Liability	%
Fire	4,653,225	4,065,283	587,942	7%
Motor Car	6,731,068	995,215	5,735,853	65%
Engineering	3,142,575	1,485,263	1,657,312	19%
Marine	850,000	690,625	159,375	2%
Medical	902	-	902	
PA	339,039	-	339,039	4%
Miscellaneous	1,748,884	1,462,715	286,169	3%
	17,465,693	8,699,101	8,766,592	100%

<u>Financial risk</u>
The Company is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets may not be sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk.

The risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risk that the Company primarily faces due to the nature of its investments and liabilities is interest rate risk.

Market risk

The Company is exposed to market risk through its use of financial instruments and specifically to interest rate risk which result from both operating and financing activities.

Interest rate risk

Interest rate risk is the risk to future earnings or equity arising from the movement of interest rates. Changes in interest rates affect (1) the Company's earnings by changing its net interest income and the level of other interest rate-sensitive income and operating expenses; and (2) the underlying economic value of the Company's assets, liabilities and off-balance sheet instruments by means of reducing the present value of future cash flows (and in some cases, the cash flows themselves). The Company exposure to changes in market interest rates is only through the "Cash in bank", "Cash equivalents" and "Government bonds", which is subject to variable interest rates.

The following table demonstrates sensitivity of the Company's profit before tax and equity to reasonable possible changes in interest rate of +10/-10 and +100/-100 basis points of the Company's cash in banks and notes payable, respectively, on December 31, 2015 and 2014. These changes are considered to be reasonably possible based on observation of current market conditions. All other variables are held constant.

	Change in	Effect on		Change in	Effect on	
	basis points	Net results	Equity	basis points	Net results	Equity
2015						
Financial assets						
Cash and						
cash equivalents	+10	1,007,401	805,921	-10	(1,007,401)	(805,921)
Government bonds	+100	23,079,811	18,463,849	-100	(23,079,811)	(18,463,849)
		24,087,212	19,269,770		(24,087,212)	(19,269,770)
2014						
Financial assets						
Cash and						
cash equivalents	+10	1,093,231	874,585	-10	(1,093,231)	(874,585)
Government bonds	+100	19,604,269	15,683,415	-100	(19,604,269)	(14,208,924)
		20,697,500	16,558,000		(20,697,500)	(15,083,509)

Foreign currency risks

The Company has no significant exposure to foreign currency risk as most transactions are denominated in Philippine Peso, its functional currency.

Credit risks

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligation, as and when they fall due.

Credit risk limit is also used to manage credit exposure which specifies exposure credit limit for each intermediary depending on the size of its portfolio and its ability to meet its obligation based on past experience.

Key areas where the Company is exposed to credit risk are:

- Reinsurer's share of insurance premiums.
- Amounts due from reinsurer's in respect of claims already paid.
- Amounts due from insurance contract holders, and insurance intermediaries.

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparty, and to geographical and industry segments. Such risks are subject to an annual or more frequent review.

Limits on the level of credit risk by category and territory are approved quarterly by the reinsurance department. Reinsurance is used to manage insurance risk. This does not however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to policyholder.

The credit worthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

The table below shows the credit quality of financial assets as at December 31, 2015 and 2014:

2015	High Grade	Standard Grade	Low Grade	Gross impaired	Allowance for impairment	Total
Cash and cash equivalents	145,533,810	-	-	-	-	145,533,810
Insurance receivable	55,820,499	20,764,084	100,715,068	3,745,805	(3,745,805)	177,299,651
AFS financial assets	175,736,820	-	1,595,425	-	-	177,332,245
Other assets	271,573	8,302,458	-	-	-	8,574,031
	377,362,702	29,066,542	102,310,493	3,745,805	(3,745,805)	508,739,737

2014	High Grade	Standard Grade	Low Grade	Gross impaired	Allowance for impairment	Total
Cash and cash equivalents	73,284,549	-	-	-	-	73,284,549
Insurance receivable	24,267,799	16,498,200	105,816,780	22,223,141	(22,223,141)	146,582,779
AFS financial assets	175,011,051	3,161,216	2,948,360	-	-	181,120,627
Other assets	285,834	8,465,606	-	-	-	8,751,440
	272,849,233	28,125,022	108,765,140	22,223,141	(22,223,141)	409,739,395

High grade receivables pertain to receivables with high collectivity, standard and low grade receivables consists of receivable with delay in payments. High grade AFS consists of government bonds and investment in quoted equities, standard grade pertain to investment in unquoted equity shares and low grade pertain to garnished investment in bonds. High grade other assets consist of advances to employees and prepaid expenses and standard grade other assets pertains to accrued interest, security deposits and cash under garnishment.

As of December 31, 2015 and 2014, the carrying amount of insurance receivables represents the maximum credit exposures, which is aged as follows:

	Premium due and uncollected	Reinsurance recoverable on losses	Due from ceding companies and reinsurer	Total
2015				
Current	9,232,112	36,434,665	1,693,427	47,360,204
30 days past due not over 90 days	5,018,140		3,442,155	8,460,295
90 days past due not over 120 days	1,524,476		2,224,092	3,748,568
Over 120 days	71,390,281		46,340,303	117,730,584
Total	87,165,009	36,434,665	53,699,977	177,299,651

	Premium due and uncollected	Reinsurance recoverable on losses	Due from ceding companies and reinsurer	Total
2014				
Current	6,921,444	10,617,473	32,541	17,571,459
30 days past due not over 90 days	5,044,462	-	1,651,877	6,696,340
90 days past due not over 120 days	1,055,458	-	4,890,156	5,945,614
Over 120 days	71,134,669	-	45,234,698	116,369,367
Total	84,156,034	10,617,473	51,809,272	146,582,779

Liquidity risks

Liquidity risks or funding risks are the risks that the Company will encounter in raising funds to meet its commitments and obligations. Liquidity risks may result from difficulty in collections or inability to generate cash inflows as anticipated.

The Company's objective in managing its profile is:

- to ensure that adequate funding is available at all times;
- to meet commitments as they arise without incurring unnecessary cost;
- to be able to access funding when needed at the least possible cost;
- to regularly monitor and evaluate its projected cash flow

The Company's financial liabilities have contractual maturities with one (1) year as follows:

	2015	2014
Insurance liabilities	**197,474,697**	104,817,565
Accounts and other payables	**11,628,508**	11,479,244
	209,103,205	**116,296,809**

5. Categories of fair values of financial assets and liabilities

Comparison of carrying values and fair values

The carrying values and fair values of the categories of financial assets and liabilities presented in the statements of financial position are shown below:

	2015		2014	
	Carrying values	**Fair values**	Carrying values	Fair values
Financial assets				
Loans and receivables				
Cash and cash equivalents	**145,533,810**	**145,533,810**	73,284,549	73,284,549
Other assets	**8,574,031**	**8,574,031**	8,751,440	8,751,440
AFS financial assets	**177,332,245**	**177,332,245**	181,120,627	181,120,627
Other financial asset				
Insurance receivable	**177,299,651**	**177,299,651**	146,582,779	146,582,779
	508,739,737	**508,739,737**	409,739,395	409,739,395
Other financial liabilities				
Insurance liabilities	**197,474,697**	**197,474,697**	104,817,565	104,817,565
Accounts and other payables	**11,628,508**	**11,628,508**	11,479,244	11,479,244
	209,103,205	**209,103,205**	116,296,809	116,296,809

Because of their short period, management considers the carrying amounts recognized in the statement of financial position to be reasonable estimates of the fair values of cash and cash equivalents, insurance receivables, other assets, insurance liabilities and accounts and other payables.

The fair values of AFS financial assets are based on the quoted market price in the PSE for quoted shares while the unquoted shares are carried at carrying amount which approximate its fair value as at December 31, 2015 and 2014.

Fair value hierarchy measurement

The table below presents the hierarchy of fair value measurements used by the Company:

	Level 1	Level 2	Level 3	Total
December 31, 2015				
Available for sale financial assets	**-**	**175,736,820**	**1,595,425**	**177,332,245**
December 31, 2014				
Available for sale financial assets	347,865	177,611,546	3,161,216	181,120,627

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (e.g. as prices) or indirectly (e.g. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable input).

There were no transfers of financial instruments between level 1, 2 and 3 during 2015 and 2014.

6. Capital management objectives, policies and procedures

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Company's activities. Externally imposed capital requirements are set and regulated by the Insurance Commission (IC). The requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Company to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximize shareholders value.

On August 15, 2013, the IC approved the amendment of Republic Act No. 10607 known as "The Insurance Code" and was issued on August 22, 2013. The amended Insurance Code provides the required minimum Net Worth for non-life insurance companies doing business in the Philippines.

The required minimum Net Worth is as follows:

Net worth	Compliance Date
250,000,000	On June 30, 2013
550,000,000	On December 31, 2016
900,000,000	On December 31, 2019
1,300,000,000	On December 31, 2022

As of December 31, 2015, the Company is in compliance with required Net worth provided in "The Insurance Code."

Margin of solvency

Under the old Insurance Code of the Philippines, a non-life insurance company doing business in the Philippines shall maintain at all times a margin of solvency equal to P500,000 or 10% of the total amount of its net premiums written during the preceding year, whichever is higher. The margin of solvency shall be the excess of the value of its admitted assets (as defined under the same code), exclusive of its paid-up capital, over the amount of its liabilities, unearned premiums and reinsurance reserves.

The final amount of the margin of solvency can be determined only after the accounts of the Company have been examined and classified as to admitted and non-admitted assets, as defined in the old Insurance Code of the Philippines, by the IC.

Capital management objectives

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company monitors capital on the basis of the carrying amount of equity as presented on the face of the Statement of financial position. Capital for the reporting periods under review is summarized as follows:

	2015	2014
Total liabilities	**213,680,749**	119,717,868
Total equity	**397,091,994**	383,140,822
Debt to equity ratio	**0.54**	0.31

The Company sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

7. Cash and cash equivalents

This account consists of:

	2015	2014
Cash on hand	**24,878**	24,878
Claims fund	**6,776,589**	1,158,617
Cash in banks	**17,577,852**	8,693,470
Cash equivalents	**121,154,491**	63,407,584
Total	**145,533,810**	73,284,549

Cash in banks are interest bearing account balances maintained in various banks of the Company. These generally earn interest at rates based on daily bank deposit rates ranging from .05% to .75% for the year ended December 31, 2015 and 2014.

Cash equivalents are short-term deposits which are placed for varying periods depending on the immediate requirements of the Company, earn interest at rate of 1.50% in 2015 and 2014. Interest earned from cash and cash equivalents amounted to P1,299,448 in 2015 and P1,038,655 in 2014. (Note 20)

8. Insurance receivables

This account consists of the following:

	2015	2014
Premiums due and uncollected	**87,165,011**	102,633,370
Less: Allowance for impairment losses	**-**	18,477,336
	87,165,011	84,156,034
Due from ceding companies and reinsurers	**57,445,780**	55,555,077
Less: Allowance for impairment losses	**3,745,805**	3,745,805
	53,699,975	51,809,272
Reinsurance recoverable on losses	**36,434,665**	10,617,473
Total	**177,299,651**	146,582,779

Premiums due and uncollected is net of commission payable amounting to P11,740,376 in 2015 and P10,616,550 in 2014. The amounts due from ceding companies and reinsurers pertain to amounts recoverable from reinsurers in respect of claims already incurred by the Company. No additional provision for impairment losses was recognized for 2015 and 2014.

Premium deemed uncollectible amounted to P18,477,336 in 2015.

9. Available for sale financial assets

Available for sale financial assets with quoted prices are measured at fair value while unquoted AFS financial assets are carried at cost. The difference between the acquisition cost and the fair value is reflected as deduction to equity. Investment in bond is measured at amortized cost which approximates its fair value.

	2015	2014
Investment in stock		
Quoted equity shares	**-**	347,865
Unqouted equity shares	**1,595,425**	3,161,216
Investment in government bonds	**175,736,820**	177,611,546
Balance, December 31	**177,332,245**	181,120,627

There is no available market value for the quoted equity shares as of December 31, 2015.

Investment in government bonds has a term ranging from one (1) to twenty-five (25) years earned an interest rates ranging from 6% to 7% in 2015 and 2014. Interest earned from government bonds amounted to P10,014,268 in 2015 and P8,506,240 in 2014. (Note 20)

Movement of Available for sale financial assets is as follows:

	Note	2015	2014
Investment in government bonds			
January 1		**177,611,546**	62,298,512
Additions		**-**	117,105,378
Amortization	20	**(1,874,726)**	(1,480,511)
December 31		**175,736,820**	177,611,546
Investment in stock			
January 1		**3,509,081**	3,509,081
Fair value adjustment		**(1,913,656)**	-
December 31		**1,595,425**	3,509,081
Total		**177,332,245**	181,120,627

The maturity profile of investment in government bonds is as follows:

	2015	2014
Due within one year	**42,206,541**	-
Due beyond one year	**133,530,279**	177,611,546
Balance, December 31	**175,736,820**	177,611,546

The movement of revaluation reserve on AFS financial assets is as follows:

	2015	2014
Balance, January 1	**2,053,101**	2,053,101
Fair value adjustment	**(1,913,656)**	-
Reversal of allowance on impairment losses	**(139,445)**	-
Balance, December 31	**-**	**2,053,101**

The Investment in stock is deemed at cost and has no active market.

10. Property and equipment, net

The details of this account follow:

	Office premises and improvements	Furnitures and office equipment	Transportation equipment	Total
Cost				
Balance, December 31, 2013	65,723,630	12,753,185	2,209,679	80,686,494
Additions	-	86,205	-	86,205
Balance, December 31, 2014	65,723,630	12,839,390	2,209,679	80,772,699
Additions	-	213,423	-	213,423
Balance, December 31, 2015	65,723,630	13,052,813	2,209,679	80,986,122
Accumulated depreciation				
Balance, December 31, 2013	18,421,699	11,319,908	1,827,012	31,568,619
Depreciation expense	1,970,068	675,222	164,000	2,809,290
Balance, December 31, 2014	20,391,767	11,995,130	1,991,012	34,377,909
Depreciation expense	1,970,069	262,029	164,000	2,396,098
Balance, December 31, 2015	22,361,836	12,257,159	2,155,012	36,774,007
Net book value, December 31, 2015	**43,361,794**	**795,654**	**54,667**	**44,212,115**
Net book value, December 31, 2014	45,331,863	844,261	218,667	46,394,790

In December 2012, the Company obtained the services of an appraisal company accredited by the Insurance Commission, to appraise the value of the office premises in 15^{th} floor of Citibank building, Makati City, Philippines, consisting of an office condominium unit and three parking lots. The appraisal of the particular property has been coordinated with and approved for recording by the Insurance Commission. The appraisal increase was recorded at P20,827,014. The recorded cost of office premises and improvements is P44,216,286, as at December 31, 2012. Depreciation on the revaluation increment in property amounts to P833,080 both for 2015 and 2014.

As of December 31, 2015 and 2014, the following are fully depreciated properties that are still in use.

2015	**Cost**	Accumulated
Office premises and improvements	**680,330**	680,330
Furnitures and office equipment	**2,421,488**	2,421,488
Transportation/computer equipment	**11,002,316**	11,002,316
Total	**14,104,134**	14,104,134

2014	**Cost**	Accumulated
Office premises and improvements	**680,330**	680,330
Furnitures and office equipment	**2,250,161**	2,250,161
Transportation/computer equipment	**9,709,986**	9,709,986
Total	**12,640,477**	12,640,477

11. Deferred acquisition cost

Movement of this account is as follows:

	2015	2014
Balance, January 1	**(2,094,032)**	4,291,544
Released during the year	**2,094,032**	(4,291,544)
Deferred commission expense	**12,560,559**	8,955,165
Unearned commission income	**(15,986,433)**	(11,049,197)
Balance, December 31	**(3,425,874)**	(2,094,032)

12. Deferred reinsurance premium

Movement of this account are as follows:

	2015	2014
Balance, January 1	**36,317,683**	10,731,913
Ceded during the year	**93,542,147**	55,658,609
Amortized during the year	**(78,983,892)**	(30,072,839)
Balance, December 31	**50,875,938**	36,317,683

13. Other assets

This account consists of:

	2015	2014
Advances and other assets	**4,431,939**	4,768,328
Utility and other deposits	**1,682,125**	1,629,376
Accrued investment income	**1,590,311**	1,484,080
Cash under garnishment	**869,656**	869,656
Total	**8,574,031**	8,751,440

Cash under garnishment refers to cash on hold by the National Labor Regulations Commission (NLRC). The cash was garnished due to order issued by NLRC on alleged counterfeited bonds issued by perpetrator. The company is appealing on the said case and is still pending in court at the end of 2015.

Advances represent cash provided to employees, agents, brokers and third party suppliers of goods and services.

14. Insurance liabilities

This account consists of:

	2015	2014
Reserve for unearned premiums	**75,743,475**	52,616,746
Claims payable	**42,942,260**	17,465,693
Due to reinsurers and ceding companies	**77,969,906**	33,916,070
Funds held for reinsurers	**819,056**	819,056
Total	**197,474,697**	104,817,565

Movement of reserve for unearned premiums is as follows:

	2015	2014
Balance, January 1	**52,616,746**	25,190,108
New policies written during the year	**142,218,957**	84,930,725
Premiums earned during the year	**(119,092,228)**	(57,504,087)
Balance, December 31	**75,743,475**	52,616,746

Claims payable consists of the estimated liability for reported claims, accrual of estimated losses incurred but not reported (IBNR).

	2015	2014
Claims reported and loss adjustment expenses	**42,001,490**	16,458,893
Provision for IBNR	**940,770**	1,006,800
	42,942,260	17,465,693

Once the ICL is adopted, the effect on claims payable will be as follows:

	2015
Claims reported and loss adjustment expenses	**41,069,135**
Provision for IBNR	**1,540,000**
Losses adjustment expenses payable adjustment	**35,000**
Margin for adverse deviation adjustment	**4,264,414**
	46,908,549

15. Accounts and other payables

	2015	2014
Accounts payable	**8,963,835**	7,365,933
Taxes payable	**1,615,733**	2,106,919
Documentary stamp tax payable	**1,020,641**	1,972,958
Others	**28,299**	33,433
Total	**11,628,508**	11,479,244

Accounts payable are payables to non-trade suppliers of goods and services and deferred VAT.

16. Capital stock

The details of the Company's capital stock are shown below:

	2015	2014
Common stocks - P400 par value		
Authorized capital stock:		
1,000,000 shares	**400,000,000**	400,000,000
Issued and outstanding, December 31	**350,457,200**	350,457,200

Share premium amounted to P26,835,235 both in 2015 and 2014.

Treasury shares amounted to P457,200 both in 2015 and 2014.

As of December 31, 2015 the Company's total issued and outstanding share capital is owned by fifty three (53) shareholders, nineteen (19) of which own more than 100 shares each.

17. Actuarial gains/(losses) on retirement benefit liability, net

Movement of this account is as follows:

	2015	2014
Balance, January 1	**624,406**	624,406
Actuarial loss during the year	**(35,384)**	-
Balance, December 31	**589,022**	624,406

18. Gross underwriting income

The account consists of:

	2015	2014
Premiums written	**100,839,069**	64,308,548
Premiums assumed	**65,059,158**	36,636,189
Gross premium written	**165,898,227**	100,944,737
Reinsurance premium ceded	**(93,542,147)**	(55,658,609)
Net premium retained	**72,356,080**	45,286,128
(Increase)/ Decrease in unearned premium	**(8,568,473)**	(1,840,868)
Commissions earned	**12,967,358**	5,459,824
	76,754,965	48,905,084

19. Underwriting expenses

The account consists of:

	2015	2014
Commissions	**17,655,344**	17,708,058
Claims and losses, net	**13,940,056**	10,936,984
Other underwriting expense	**291,852**	254,000
	31,887,252	28,899,042

20. Other income

The breakdown of other income is as follows:

	Notes	**2015**	2014
Interest income, net of amortization	7,9	**9,438,990**	8,064,384
Foreign exchange gain		**63,143**	-
Reversal of allowance for impairment losses		**139,445**	-
Total		**9,641,578**	8,064,384

21. General and administrative expenses

The breakdown of other expenses is as follows:

	Notes	2015	2014
Salaries, wages and employee benefits	22	**18,422,027**	13,892,595
Taxes and licenses		**2,244,390**	718,096
Association and pool dues		**1,937,615**	2,098,823
Rent	24	**1,786,808**	1,419,131
Depreciation expense	10	**1,563,017**	1,976,211
Professional fees		**1,188,941**	2,166,798
Travel and transportation		**1,092,203**	1,218,619
Utilities		**700,255**	649,921
Supplies		**526,365**	441,579
Retirement expense	23	**496,738**	560,144
Communication		**403,323**	423,911
Representation		**323,006**	563,537
Insurance		**254,132**	193,940
Repairs, maintenance and janitorial services		**136,180**	255,387
Agency expense		**113,423**	116,830
Promotion, advertising and networking		**87,870**	152,721
Miscellaneous		**250,542**	383,798
Total		**31,526,835**	27,232,041

22. Salaries, wages and employee benefits

Details of salaries, wages and other benefits are as follows:

	2015	2014
Salaries and wages	**16,325,062**	13,061,852
Employees' benefits	**2,096,965**	830,743
Total	**18,422,027**	13,892,595

23. Retirement benefits plan

The Company has a funded, non-contributory defined benefit type of retirement plan covering substantially all of its employees. The benefits normal retirement is equal to 125% of the final compensation as of the date of retirement multiplied by years of service.

Actuarial valuations are made at least every two years. The Company’s annual contributions to the defined benefit plan consist principally of payments covering the current service cost for the year and the required funding relative to the guaranteed minimum benefits as applicable.

The assumptions used in determining retirement benefit liability for the Company are as follows:

	2015	2014
Present value of the obligation	**1,950,486**	1,700,456
Fair value of plan assets	**(832,095)**	(1,129,352)
Underfunded obligation	**1,118,391**	571,104
Liability to be recognized in the Statement of financial position	**1,118,391**	571,104

The movements of present value of the retirement benefit liability recognized in the books are as follows:

	2015	2014
Balance, January 1	**1,700,456**	1,700,456
Interest cost	**77,031**	
Current service cost	**463,081**	560,144
Benefits paid	**(343,750)**	(560,144)
Actuarial (gain)/loss	**53,668**	
Balance, December 31	**1,950,486**	1,700,456

The movements of fair value of plan assets are as follows:

	2015	2014
Balance, January 1	**1,129,352**	1,129,352
Interest income	**43,374**	-
Benefits paid	**(343,750)**	-
Acruarial gain	**3,119**	-
Balance, December 31	**832,095**	1,129,352

The Company's actual return on plan assets is as follows:

	2015	2014
Interest income	**43,374**	-
Remeasurement gain / (loss)	**3,119**	-
Actual return on plan asset	**46,493**	-

The amounts of retirement benefits expense recognized in the Statements of comprehensive income are as follows:

	2015	2014
Current service cost	**463,081**	560,144
Interest cost	**77,031**	-
Interest income on plan assets	**(43,374)**	-
Expense recognized during the year	**496,738**	560,144

Defined benefit cost recognized in Other comprehensive income (OCI):

	2015	2014
Accumulated other comprehensive income, January 31	**(892,009)**	(892,009)
Actuarial (gains)/losses - DBO	**53,668**	-
Remeasurement (gain)/loss - plan assets	**(3,119)**	-
Remeasurement (gain)/loss - changes in the effect of the asset ceiling	**-**	-
Defined benefit cost in OCI - expense/(income)	**50,549**	-
Accumulated other comprehensive income, ending	**(841,460)**	(892,009)

For the determination of the movement of the retirement benefits liability, the following actuarial assumptions were used:

	2015	2014
Discount rate	**4.89%**	4.53%
Salary increase rate	**5.00%**	5.00%

Sensitivity analysis as follows:

Decrease in DBO due to 100 bps increase in discount rate	**(239,895)**	; (12.3%)
Increase in DBO due to 50 bps decrease in discount rate	**298,589**	; 15.3%
Increae in DBO due to 75 bps increase in salary increase rate	**277,711**	; 14.2%
Decrease in DBO due to 125 bps decrease in salary decrease rate	**(228,954)**	; (11.7%)
Increase in DBO, no attrition rates	**375,147**	; 19.2%

Expected future benefit payments as follows:

Financial year	
2016	297,500
2017	-
2018	-
2019	-
2020	-
2021-2025	4,072,237

Allocation of plan assets as follows:

Financial year	
Cash and cash equivalents	0.01%
Unit investment trust fund	80.70%
Debt instruments - government bonds	18.31%
Other (Market gains/losses, accrued receivables, etc.)	0.98%
Total	100.00%

Weighted average duration of the retirement benefits liability is 18.1 years as of December 31, 2015.

24. Lease commitments

The Company is a lessee under cancellable operating leases. The future minimum rentals payable under this cancellable operating lease are as follows:

	2015	2014
Within one year	**423,000**	426,000
More than one year but less than five years	**-**	-
Total	**423,000**	426,000

Total rental expense charged to operations amounted to P1,786,808 in 2015 and P1,419,131 in 2014, respectively. (Note 21)

25. Income taxes

Corporate income tax rate – 30%
The income tax expense consists of the following:

	2015	2014
Current:		
Regular corporate income tax	**-**	300,134
Final tax on interest income	**2,262,514**	1,908,161
Deferred:		
NOLCO	**1,034,703**	-
Allowance for credit losses	**5,543,201**	-
Deferred acquisition cost	**(399,552)**	(1,915,673)
Reserve for unearned premium	**(2,570,542)**	(552,260)
Retirement benefits expense	**(149,021)**	-
Income tax expense/ (benefits)	**5,721,303**	(259,638)

A reconciliation of tax on pretax income computed at the applicable statutory rates to income tax expense as reported in the income statements is as follows:

	2015	2014
Tax on pretax income at prevailing rate	**6,892,979**	227,238
Adjustment for items subject to lower tax rates:		
Interest income	**(1,131,600)**	
Tax effect on:		
Non-deductible expense	**1,757**	24,278
Non-taxable income	**(41,833)**	(511,154)
Total	**5,721,303**	**(259,638)**

Deferred income tax assets

Components of the Company's deferred income tax (DTA) assets account are as follows:

	2015	2014
Allowance for reinsurance receivable	**1,123,741**	6,666,942
Deferred acquisition cost	**1,027,763**	628,210.00
Reserve for unearned premium	**1,838,231**	-
NOLCO	**696,053**	1,730,756
MCIT	**1,923,648**	1,209,583
Retirement benefits obligation	**335,517**	171,331
Total	**6,944,953**	10,406,822

Validity of NOLCO as follows:

Year incurred	Validity	Amount	Applied in the current year	Applied in the previous year	Balance
2013	2016	6,769,629	3,449,012	1,000,445	**2,320,172**
		6,769,629	**3,449,012**	**1,000,445**	**2,320,172**

Validity of MCIT as follows:

Year incurred	Validity	Amount	Applied	Expired	Balance
2012	2015	382,558	-	382,558	-
2013	2016	262,375	-	-	262,375
2014	2017	564,650	-	-	564,650
2015	2018	1,096,623	-	-	1,096,623
		2,306,206	**-**	**382,558**	**1,923,648**

Deferred income tax liability

Components of deferred income tax liability are as follows:

	2015	2014
Reserve for unearned premium	-	732,310

26. Earnings per common share

	2015	2014
Profit for the year	**17,255,295**	1,017,097
Weighted average number of common shares	**875,000**	875,000
	19.72	1.16

27. Related party transactions

In the ordinary course of trade or business, the Company has transaction with related parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Key management personnel compensation
The key management compensation consists of salaries, allowances and employee benefits amounting P3,619,811 and P2,264,562 in 2015 and 2014, respectively.

Defined benefits plan
The Company has a significant influence over the funding and management of the Company's plan assets. The outstanding amount of the plan assets amounts to P832,095 in 2015 and P1,129,352 in 2014. The Company paid benefits from plan assets amounting to P343,750 in 2015. No contribution was made in both 2015 and 2014.

28. Approval of financial statements

The financial statements were approved and authorized for issue by the Board of Directors through the Company's President, Mr. Parimal Bhattacharya on April 7, 2016.

29. Supplementary information required by the Bureau of Internal Revenue

Revenue Regulations No. 15-2010 issued by the Bureau of Internal Revenue requires, in addition to the disclosures mandated under the Philippine Financial Reporting Standards, and such other standards and/or conventions as may heretofore be adopted, the Notes to Financial Statements to include information on taxes, duties and license fees paid or accrued during the taxable year, as follows:

Output VAT
Details of the Company's output VAT declared are as follows:

	VATable	**VAT - Zero-rated**	**VAT - exempt**	**2015**	2014
Vatable receipts	106,949,813	1,502,724	5,979,706	**108,452,537**	75,252,278
Output VAT rate	12%	0%	-	**12%/0%**	12%/0%
Total	12,833,978	-	-	**12,833,978**	7,975,528

Input VAT

Details of the Company's input VAT claimed are as follows:

	2015	2014
Balance, January 1	-	-
Add: Current year's domestic purchases/payments for:		
Purchase of services	**3,986,624**	
Purchase of capital goods and domestic purchases of goods other than capital goods	-	2,221,766
Total available input VAT	**3,986,624**	2,221,766
Less: Claims for:		
Tax credit	-	
Balance, December 31	**3,986,624**	2,221,766

Documentary stamp tax (DST)

The DST paid/accrued during the reporting period was P14,575,241.16 in 2015 for insurance of policies and P9,084,153.56 in 2014.

Other taxes and licenses

	OR No.	2015	2014
Community tax	CCC201300236422	**10,500**	10,500
Business permits	various	**204,561**	140,259
Percentage taxes and various	various	**2,029,329**	567,337
Total per Statement of Comprehensive Income		**2,244,390**	718,096

Withholding taxes

The amount of withholding taxes paid/accrued for the taxable year 2014 amounted to:

	2015	2014
Tax withheld by the company on:		
Compensation	**3,184,757**	2,309,782
Expanded	**2,228,460**	1,297,426
Final Withholding taxes	**2,262,514**	1,908,161
Total	**7,675,731**	5,515,369

Taxes on importation of goods

The Company has no importation of goods, hence, no taxes were paid during the reporting period.

Excise tax

The Company has no excise tax paid during the reporting period.

As of the year ended December 31, 2015, the Company has no pending tax assessment and litigation.

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SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.
(A Non-life Insurance Company)

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
Under SRCRule 68, As Amended

		For the years ended December 31			
		2015		2014	
Liquidity/ Solvency Ratios					
1. Current Ratio	Current Assets / Current Liabilities	322,833,461 / 209,103,205	1.54	219,867,328 / 116,320,422	1.89
2. Liquidity Ratio	Liquid Assets / Current Liabilities	322,833,461 / 209,103,205	1.54	219,867,328 / 116,320,422	1.89
3. Working Capital to Total Asset	Working Capital / Total Assets	113,730,256 / 610,772,743	0.19	103,546,906 / 502,858,690	0.21
4. Solvency Ratio	Net Profit after Tax + Depreciation / Total Liabilities	18,818,312 / 213,680,749	0.09	2,993,308 / 119,717,868	0.03
Capital Structure Analysis					
5. Debt-to-Equity Ratio	Total Debt / Total Equity	213,680,749 / 397,091,994	0.54	119,717,868 / 383,140,822	0.31
6. Asset-to-Equity Ratio	Total Assets / Total Equity	610,772,743 / 397,091,994	1.54	502,858,690 / 383,140,822	1.31
Profitability Ratio					
7. Return on Assets (ROA)	Net Income / Average Assets	17,255,295 / 556,815,717	0.03	1,017,097 / 480,243,691	0.00
8. Return on Equity (ROE)	Net Income / Average Equity	17,255,295 / 390,116,408	0.04	1,017,097 / 383,921,269	0.00
9. Profit Margin	Net Income / Revenue	17,255,295 / 76,754,965	0.22	1,017,097 / 48,905,084	0.02
10. Gross Profit Margin	Gross Profit / Sales	54,509,291 / 76,754,965	0.71	28,070,426 / 48,905,084	0.57
11. Earning per share	Net Income / Weighted Average Outstanding Shares	17,255,295 / 875,000	19.72	1,017,097 / 875,000	1.16
12. Interest Rate Coverage Ratio	Earnings before Income Tax / Interest Expense	22,976,598 / 5,858	3,922.26	757,459 / 80,926	9.36

SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		Adopted
PFRSs Practice Statement Management Commentary		Not Adopted
Philippine Financial Reporting Standards		Adopted
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	Not Applicable
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	Not Applicable
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	Not Applicable
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	Not Applicable
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	Not Applicable
	Amendments to PFRS 1: Government Loans	Not Applicable
	Annual Improvements to PFRSs 2011-2013 Cycle – Amendments to PFRS 1: First-time Adoption of PFRS	Not Applicable
	Annual Improvements to PFRSs 2009-2011 Cycle – Amendments to PFRS 1: First-time Adoption of IFRS (Changes to the basis for conclusions only)	Not Applicable
PFRS 2	Share-based Payment	Not Applicable
	Amendments to PFRS 2: Vesting Conditions and Cancellations	Not Applicable
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	Not Applicable
	Annual Improvements to PFRSs 2010-2012 Cycle – Amendments to PFRS 2: Definition of Vesting Condition	Not Applicable
PFRS 3 (Revised)	Business Combinations	Not Applicable
	Annual Improvements to PFRSs 2010-2012 Cycle – Amendments to PFRS 3: Accounting for Contingent Consideration	Not Applicable
	Annual Improvements to PFRSs 2011-2013 Cycle – Amendments to PFRS 3: Scope of Exception for Joint Ventures	Not Applicable
PFRS 4	Insurance Contracts	Adopted
	Amendments to PFRS 4: Financial Guarantee Contracts	Not Applicable

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	Not Applicable
	Annual Improvements to PFRSs 2012-2014 Cycle – Amendments to PFRS 5: Changes in methods of disposal*	Not Applicable
PFRS 6	Exploration for and Evaluation of Mineral Resources	Not Applicable
PFRS 7	Financial Instruments: Disclosures	Adopted
	Amendments to PFRS 7: Transition	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	Not Applicable
	Amendments PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	Adopted
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	Adopted
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	Not Applicable
	Amendments to PFRS 7: Mandatory effective Date of PFRS 9 and transition disclosure	Not Applicable
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	Not Applicable
	Amendments to PFRS 7: Hedge Accounting Disclosures	Not Applicable
	Annual Improvements to PFRSs 2012-2014 Cycle – Amendments to PFRS 7: Servicing Contracts*	Not Applicable
PFRS 8	Operating Segments	Not Applicable
	Annual Improvements to PFRSs 2012-2014 Cycle – Amendments to PFRS 8: Aggregation of Segments and Reconciliation of Segment Assets	Not Applicable
PFRS 9	Financial Instruments : Classification and Measurements of Financial Assets*	Adopted
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*	Adopted
	Amendments to PFRS 9: Phase III – Hedge Accounting Disclosures*	Not Applicable
PFRS 10	Consolidated Financial Statements	Not Applicable
	Amendments to PFRS 10: Consolidated Financial Statement – Transition Guidance	Not Applicable
	Amendments to PFRS 10: Transition Guidance and Investment Entities	Not Applicable
	Amendments to PFRS 10: Sales or contributions of assets between an investor and its associate/joint venture*	Not Applicable
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception*	Not Applicable

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		
PFRS 11	Joint Arrangements	Not Applicable
	Amendments to PFRS 11: Joint Arrangements – Transition Guidance	Not Applicable
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations*	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	Not Applicable
	Amendments to PFRS 12: Disclosure of Interests in Other Entities – Transition Guidance	Not Applicable
	Amendments to PFRS 12: Transition Guidance and Investment Entities	Not Applicable
	Amendments to PFRS 12: Investment Entities – Applying the Consolidation Exception*	Not Applicable
PFRS 13	Fair Value Measurement	Adopted
	Annual Improvements to PFRSs 2010-2012 Cycle – Amendments to PFRS 13: Fair Value Measurement (Amendments to the Basis of Conclusions Only, with Consequential Amendments to the Bases of Conclusions of Other Standards)	Adopted
	Annual Improvements to PFRSs 2011-2013 Cycle – Amendments to PFRS 13: Portfolio Exception	Adopted
PFRS 14	Regulatory Deferral Accounts*	Not Adopted
Philippine Accounting Standards		
PAS 1 Revised	Presentation of Financial Statements	Adopted
	Amendment to PAS 1: Capital Disclosures	Adopted
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Not Applicable
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	Adopted
	Annual Improvements to PFRSs 2009-2011 Cycle – Amendments to PAS 1: Comparative Information	Adopted
	Amendments to PAS 1: Disclosure Initiative*	Not adopted
PAS 2	Inventories	Adopted
PAS 7	Statement of Cash Flows	Adopted
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Adopted
PAS 10	Events after the Balance Sheet Date	Adopted
PAS 11	Construction Contracts	Not Applicable

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		
PAS 12	Income Taxes	Adopted
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	Adopted
PAS 16	Property, Plant and Equipment	Adopted
	Annual Improvements to PFRSs 2009-2011 Cycle – Amendments to PAS 16, Servicing Equipment	Adopted
	Annual Improvements to PFRSs 2010-2012 Cycle – Amendments to PAS 16: Revaluation Method Proportionate Restatement of Accumulated Depreciation	Adopted
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation*	Adopted
	Amendments to PAS 16: Agriculture – Bearer Plants*	Not Applicable
PAS 17	Leases	Adopted
PAS 18	Revenue	Adopted
PAS 19 Amended	Employee Benefits (2011)	Adopted
	Amended to PAS 19: Defined Benefit Plans – Employee Contribution	Not Applicable
	Annual Improvements to PFRSs 2012-2014 Cycle – Amendments to PAS 19: Discount rate: regional market issue*	Not Applicable
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Not Applicable
PAS 21	The Effects of Changes in Foreign Exchange Rates	Not Applicable
	Amendment: Net Investment in a Foreign Operation	Not Applicable
PAS 23 (Revised)	Borrowing Costs	Not Applicable
PAS 24 (Revised)	Related Party Disclosures	Adopted
	Annual Improvements to PFRSs 2010-2012 Cycle – Amendments to PAS 24: Key Management Personnel	Adopted
PAS 26	Accounting and Reporting by Retirement Benefit Plans	Adopted
PAS 27 (Amended)	Separate Financial Statements	Not Applicable
	Amendments to PAS 27: Transition Guidance and Investment Entities	Not Applicable
	Amendments to PAS 27: Equity Method in Separate Financial Statements*	Not Applicable
PAS 28 (Amended)	Investments in Associates and Joint Ventures	Not Applicable
	Amendments to PAS 28: Sales or contributions of assets between an investor and its associate/joint venture*	Not Applicable
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception *	Not Applicable

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		
PAS 29	Financial Reporting in Hyperinflationary Economies	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	Adopted
	Financial Instruments: Presentation	Adopted
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Not Applicable
	Amendment to PAS 32: Classification of Rights Issues	Not Applicable
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	Adopted
	Annual Improvements to PFRSs 2009-2011 Cycle – Amendments to PAS 32: Tax Effect of Equity Distributions	Not Applicable
PAS 33	Earnings per Share	Adopted
PAS 34	Interim Financial Reporting	Not Applicable
	Annual Improvements to PFRSs 2009-2011 Cycle – Amendments to PAS 34: Interim Reporting of Segment Assets	Not Applicable
	Annual Improvements to PFRSs 2012-2014 Cycle – Amendments to PAS 34 Disclosure of Information ‘Elsewhere in the Interim Financial Report’*	Not Applicable
PAS 36	Impairment of Assets	Adopted
	Amendments to PAS 36: Recoverable amount Disclosures for Non-Financial Assets	Adopted
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	Adopted
PAS 38	Intangible Assets	Not Applicable
	Annual Improvements to PFRSs 2010-2012 Cycle – Amendments to PAS 38: Revaluation Method Proportionate Restatement of Accumulated Amortization	Not Applicable
	Amendments to PAS 38: Clarification of Acceptable Methods of Amortization *	Not Applicable
PAS 39	Financial Instruments: Recognition and Measurement	Adopted
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	Adopted
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	Not Applicable
	Amendments to PAS 39: The Fair Value Options	Not Applicable
	Amendments to PAS 39: Financial Guarantee Contracts	Not Applicable
	Amendments to PAS 39: Reclassification of Financial Assets	Not Applicable
	Amendments to PAS 39: Reclassification of Financial Assets – Effective Date and Transition	Not Applicable
	Amendments to PAS 39: Embedded Derivatives	Not Applicable
	Amendments to PAS 39: Eligible Hedge Items	Not Applicable

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		
	Amendments to PAS 39: Novation and Continuation of Hedge Accounting	Not Applicable
	Amendment to PAS 39: Hedge Accounting Application	Not Applicable
PAS 40	Investment Property	Not Applicable
	Annual Improvements to PFRSs 2011-2013 Cycle – Amendments to PAS 40: Clarifying the Interrelationship of IFRS 3 and IAS 40 When Classifying Property as Investment Property or Owner Occupied Property	Not Applicable
PAS 41	Agriculture	Not Applicable
	Amendments to PAS 41: Agriculture – Bearer Plants*	Not Applicable
Philippine Interpretations		
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	Not Applicable
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments	Not Applicable
IFRIC 4	Determining Whether an Arrangement Contains a Lease	Adopted
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	Not Applicable
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	Not Applicable
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies	Not Applicable
IFRIC 8	Scope of PFRS 2	Not Applicable
IFRIC 9	Reassessment of Embedded Derivatives	Not Applicable
	Amendments to Philippine Interpretation IFRIC 9: : Embedded Derivatives	Not Applicable
IFRIC 10	Interim Financial Reporting and Impairment	Not Applicable
IFRIC 12	Service Concession Arrangements	Not Applicable
IFRIC 13	Customer Loyalty Programmes	Not Applicable
IFRIC 14	PAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Adopted
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	Adopted
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	Not Applicable
IFRIC 17	Distributions of Non-cash Assets to Owners	Not Applicable
IFRIC 18	Transfers of Assets from Customers	Not Applicable
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Not Applicable
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Not Applicable

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		
IFRIC 21	Levies	Not Applicable
SIC-7	Introduction of the Euro	Not Applicable
SIC-10	Government Assistance - No Specific Relation to Operating Activities	Not Applicable
SIC-15	Operating Leases - Incentives	Adopted
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets	Not Applicable
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	Not Applicable
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	Not Applicable
SIC-29	Service Concession Arrangements: Disclosures.	Not Applicable
SIC-31	Revenue - Barter Transactions Involving Advertising Services	Not Applicable
SIC-32	Intangible Assets - Web Site Costs	Not Applicable
PIC Q&A No. 2006-01	Revenue Recognition for Sales of Property Units Under Pre-Completion Contracts	Not Applicable
PIC Q&A No. 2006-02	Clarification of Criteria for Exemption from Presenting Consolidated Financial Statements	Not Applicable
PIC Q&A No. 2006-03	Valuation of Bank Real and Other Properties Acquired (ROPA)	Not Applicable
PIC Q&A No. 2008-01	Rate Used in Discounting Post-employment Benefit Obligations	Adopted
PIC Q&A No. 2008-02	Accounting for Government Loans with Low Interest Rates under the Amendments to PAS 20	Not Applicable
PIC Q&A No. 2009-01	Financial Statements Prepared on a Basis Other than Going Concern	Not Applicable
PIC Q&A No. 2010-01	Rate Used in Determining the Fair Value of Government Securities in the Philippines	Not Applicable
PIC Q&A No. 2010-02	Basis of Preparation of Financial Statements	Adopted
PIC Q&A No. 2010-03	Current/ non-current Classification of a Callable Term Loan	Not Applicable
PIC Q&A No. 2011-02	Common Control Business Combinations	Not Applicable
PIC Q&A No. 2011-03	Accounting for Inter-company Loans	Not Applicable
PIC Q&A No. 2011-04	Costs of Public Offering of Shares	Not Applicable
PIC Q&A No. 2011-05	Fair Value or Revaluation as Deemed Cost	Not Applicable

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		
PIC Q&A No. 2011-06	Acquisition of Investment Properties -Asset Acquisition or Business Combination?	Not Applicable
PIC Q&A No. 2012-01	Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements	Not Applicable
PIC Q&A No. 2012-02	Cost of a New Building Constructed on Site of a Previous Building	Not Applicable
PIC Q&A No. 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs	Not Applicable
PIC Q&A No. 2013-02	Conforming Changes to PIC Q&As – Cycle 2013	Not Applicable
PIC Q&A No. 2013-03	Accounting for Employee Benefits under a Defined Contribution Plan Subject to Requirement of Republic Act (RA) 7641: The Philippine Retirement Law	Not Applicable

*These are the new and revised accounting standards and interpretation that are effective for annual period beginning on or after the reporting period ended December 31, 2015