PGA Sompo Insurance Corporation
(formerly PGA Sompo Japan Insurance Inc.)
A joint venture between: Prudential Guarantee and Assurance Inc.
and Sompo Japan Nipponkoa Insurance Inc.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **PGA SOMPO INSURANCE CORPORATION (formerly PGA Sompo Japan Insurance Inc.)**, is primarily responsible for all information and representations contained in the financial statements for the year ended **December 31, 2015.** The financial statements have been prepared in conformity with **Generally Accepted Accounting Principles** and **Philippine Financial Reporting Standards** and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the company's audit committee and to its external auditor:

i. All significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process and report financial data;
ii. Material weaknesses in the internal audit controls; and
iii. Any fraud that involves management or other employees who exercise significant roles in internal control.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the company.

SyCip Gorres Velayo & Co. (Ernst & Young), the independent auditors and appointed by the stockholders has examined the financial statements of the company in accordance with **Generally Accepted Auditing Standards** in the Philippines, and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and Stockholders of the Company.

ROBERT COYIUTO, JR.
Chairman of the Board

FUMIHIKO HARADA
President / Chief Executive Officer

PHILLIP K. RICO
Sr. Exec. Vice President/Chief Financial Officer

5th Floor, Corinthian Plaza, Paseo de Roxas, Legasi Village, Makati City, Philippines
Phone: (632) 811 3417 Fax: (632) 811 3278 / 892 3922

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BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date
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COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

COMPANY NAME

PGA SOMPO INSURANCE CORPORATION (formerly PGA SOMPO JAPAN INSURANCE, INC.)

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

5TH FLOOR, CORINTHIAN PLAZA CONDOMINIUM, 121 PASEO DE ROXAS, LEGASPI VILLAGE, MAKATI CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	SEC	–

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
accounting@pgasompo.com	02-831-1447	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
15		December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Erwin V. Toribio	accounting@pgasompo.com		

CONTACT PERSON's ADDRESS

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

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

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Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
PGA Sompo Insurance Corporation
5th Floor, Corinthian Plaza Condominium
121 Paseo de Roxas, Legaspi Village
Makati City

Report on the Financial Statements

We have audited the accompanying financial statements of PGA Sompo Insurance Corporation, which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of income, 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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

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Opinion

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

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

The supplementary information required under Revenue Regulations No. 15-2010 for purposes of filing with the Bureau of Internal Revenue is presented by the management of PGA Sompo Insurance Corporation in a separate schedule. Revenue Regulations No. 15-2010 requires the information to be presented in the notes to financial statements. Such information is not a required part of the basic financial statements. The information is also not required by Securities Regulation Code Rule 68, As Amended (2011). Our opinion on the basic financial statements is not affected by the presentation of the information in a separate schedule.

SYCIP GORRES VELAYO & CO.

Doyle S. Garcia
Partner
CPA Certificate No. 0097907
SEC Accreditation No. 1285-A (Group A),
February 25, 2013, valid until April 30, 2016
Tax Identification No. 201-960-347
BIR Accreditation No. 08-001998-102-2015,
November 25, 2015, valid until November 24, 2018
PTR No. 5321641, January 4, 2016, Makati City

March 30, 2016

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
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PGA SOMPO INSURANCE CORPORATION
(formerly PGA Sompo Japan Insurance, Inc.)
STATEMENTS OF FINANCIAL POSITION

	December 31 2015	December 31 2014
ASSETS		
Cash and Cash Equivalents (Notes 4, 22 and 23)	**₱347,291,787**	₱334,056,455
Short-term Investments (Notes 4, 22 and 23)	**24,806,578**	–
Insurance Receivables - net (Notes 5, 22 and 23)	**398,014,729**	284,283,345
Financial Assets (Notes 6, 22 and 23)		
Financial assets at fair value through profit or loss	**108,328,796**	99,412,208
Available-for-sale financial assets	**39,071,749**	35,101,640
Loans and receivables	**28,259,339**	30,318,572
Reinsurance Assets (Notes 7, 11 and 22)	**834,489,396**	733,468,447
Deferred Acquisition Costs (Note 8)	**27,061,560**	27,468,943
Property and Equipment - net (Note 9)	**3,411,210**	4,554,879
Deferred Income Tax Assets - net (Note 19)	**12,171,170**	15,003,151
Other Assets (Note 10)	**74,615,913**	64,897,150
TOTAL ASSETS	**₱1,897,522,227**	₱1,628,564,790
LIABILITIES AND EQUITY		
Liabilities		
Insurance contract liabilities (Notes 11 and 22)	**₱856,366,230**	₱754,723,435
Insurance payables (Notes 12, 22 and 23)	**482,145,479**	328,802,927
Accounts payable and accrued expenses (Notes 13, 22 and 23)	**83,634,551**	71,329,904
Deferred reinsurance commissions (Note 8)	**50,081,617**	57,915,057
Net pension benefit obligation (Note 14)	**10,176,494**	10,681,601
Total liabilities	**1,482,404,371**	1,223,452,924
Equity		
Capital stock - ₱100 par value (Notes 22 and 25)		
Authorized - 3,000,000 shares		
Issued and outstanding - 2,500,000 shares	**300,000,000**	300,000,000
Contributed surplus	**4,666,000**	4,666,000
Revaluation reserve on available-for-sale financial assets (Note 6)	**34,168,205**	30,198,096
Remeasurements on defined benefit plan (Note 14)	**(1,067,388)**	(1,087,599)
Retained earnings (Note 25)	**77,351,039**	71,335,369
Total equity	**415,117,856**	405,111,866
TOTAL LIABILITIES AND EQUITY	**₱1,897,522,227**	₱1,628,564,790

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
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PGA SOMPO INSURANCE CORPORATION
(formerly PGA Sompo Japan Insurance, Inc.)
STATEMENTS OF INCOME

	Years Ended December 31	
	2015	2014
Gross premiums earned	**₱1,105,540,062**	₱1,120,027,227
Reinsurers' share of gross premiums earned	**1,082,005,959**	1,105,287,133
Net premiums earned (Notes 11, 15 and 24)	**23,534,103**	14,740,094
Commission income (Note 8)	**89,327,944**	102,141,265
Investment and other income - net (Note 16)	**6,188,089**	11,301,425
Foreign currency exchange gains - net	**6,290,361**	–
Other income	**101,806,394**	113,442,690
Total income	**125,340,497**	128,182,784
Gross insurance contract benefits and claims paid	**135,581,229**	108,488,758
Reinsurers' share of gross insurance contract benefits and claims paid	**(127,648,816)**	(100,541,650)
Gross change in insurance contract liabilities	**(49,486,270)**	1,195,220
Reinsurers' share of gross change in insurance contract liabilities	**45,949,381**	3,620,780
Net insurance contract benefits and claims (Notes 11 and 17)	**4,395,524**	12,763,108
General expenses (Note 18)	**68,619,641**	59,552,210
Commission expense (Note 8)	**40,780,109**	50,515,153
Foreign currency exchange losses - net	**–**	1,961,774
Interest expense (Note 12)	**105,255**	194,765
Other expenses	**109,505,005**	112,223,902
Total insurance contract and other expenses	**113,900,529**	124,987,010
INCOME BEFORE INCOME TAX	**11,439,968**	3,195,774
PROVISION FOR INCOME TAX (Note 19)	**5,424,298**	1,913,862
NET INCOME (Note 21)	**₱6,015,670**	₱1,281,912

See accompanying Notes to Financial Statements.

PGA SOMPO INSURANCE CORPORATION
(formerly PGA Sompo Japan Insurance, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2015	2014
NET INCOME (Note 21)	**₱6,015,670**	₱1,281,912
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Changes in the fair values of available-for-sale financial assets (Note 6)	**3,970,109**	5,008,330
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Remeasurement gains on defined benefit plan, net of tax (Note 14)	**20,211**	46,973
Total other comprehensive income	**3,990,320**	5,055,303
TOTAL COMPREHENSIVE INCOME	**₱10,005,990**	₱6,337,215

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
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PGA SOMPO INSURANCE CORPORATION
(formerly PGA Sompo Japan Insurance, Inc.)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Capital Stock (Notes 22 and 25)	Contributed Surplus	Revaluation Reserve on Available-for-sale Financial Assets (Note 6)	Remeasurements on Defined Benefit Plan (Note 14)	Retained Earnings (Note 25)	Total
At January 1, 2015	**₱300,000,000**	**₱4,666,000**	**₱30,198,096**	**(₱1,087,599)**	**₱71,335,369**	**₱405,111,866**
Net income for the year	–	–	–	–	**6,015,670**	**6,015,670**
Other comprehensive income	–	–	**3,970,109**	**20,211**	–	**3,990,320**
Total comprehensive income for the year	–	–	**3,970,109**	**20,211**	**6,015,670**	**10,005,990**
At December 31, 2015	**₱300,000,000**	**₱4,666,000**	**₱34,168,205**	**(₱1,067,388)**	**₱77,351,039**	**₱415,117,856**
At January 1, 2014	₱300,000,000	₱4,666,000	₱25,189,766	(₱1,134,572)	₱70,053,457	₱398,774,651
Net income for the year	–	–	–	–	1,281,912	1,281,912
Other comprehensive income	–	–	5,008,330	46,973	–	5,055,303
Total comprehensive income for the year	–	–	5,008,330	46,973	1,281,912	6,337,215
At December 31, 2014	₱300,000,000	₱4,666,000	₱30,198,096	(₱1,087,599)	₱71,335,369	₱405,111,866

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
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PGA SOMPO INSURANCE CORPORATION
(formerly PGA Sompo Japan Insurance, Inc.)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2014	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱11,439,968**	₱3,195,774
Adjustments for:		
Bad debts expense (Notes 5 and 18)	**30,740**	310,139
Depreciation and amortization (Notes 9 and 18)	**1,872,653**	1,724,858
Interest income (Note 16)	**(9,149,735)**	(8,231,371)
Dividend income (Note 16)	**(5,320)**	(6,475)
Fair value losses on financial assets at FVPL (Notes 6 and 16)	**1,713,478**	337,795
Loss on redemption of financial assets at FVPL (Note 6 and 16)	**270,579**	99,646
Interest expense (Note 12)	**105,255**	194,765
Write-off loss on accounts receivable (Notes 6 and 18)	**1,391,127**	347,782
Operating income (loss) before working capital changes	**7,668,745**	(2,027,087)
Changes in assets and liabilities:		
Decrease (increase) in:		
Insurance receivables	**(113,762,124)**	(84,319,851)
Deferred acquisition costs	**407,383**	4,613,698
Loans and receivables	**204,149**	(654,774)
Reinsurance assets	**(101,020,949)**	(113,961,545)
Short-term investments	**(24,806,578)**	56,000,000
Other assets	**(9,718,763)**	(9,550,272)
Increase (decrease) in:		
Deferred reinsurance commissions	**(7,833,440)**	6,812,150
Insurance contract liabilities	**101,642,795**	120,337,294
Insurance payables	**153,342,552**	170,903,228
Accounts payable and accrued expenses	**12,304,647**	(46,706,977)
Net pension benefit obligation	**(476,232)**	1,352,231
Net cash from operations	**17,952,185**	102,798,095
Income tax paid (Note 19)	**(2,600,981)**	(2,814,804)
Interest paid	**(105,255)**	(194,765)
Net cash from operating activities	**15,245,949**	99,788,526
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Maturities of financial assets at fair value through profit or loss (Note 6)	**73,500,000**	51,900,000
Maturities of long-term investments (Note 6)	**–**	19,485,444
Interest received	**9,613,692**	9,718,359
Dividends received	**5,320**	6,475
Acquisitions of:		
Financial assets at FVPL (Note 6)	**(84,400,645)**	(76,617,617)
Property and equipment (Note 9)	**(728,984)**	(1,691,980)
Long-term investments (Note 6)	**–**	(21,908,819)
Net cash used in investing activities	**(2,010,617)**	(19,108,138)
NET INCREASE IN CASH AND CASH EQUIVALENTS (Carried Forward)	**13,235,332**	80,680,388

	Years Ended December 31	
	2015	2014
NET INCREASE IN CASH AND CASH EQUIVALENTS (Brought Forward)	**₱13,235,332**	₱80,680,388
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**334,056,455**	253,376,067
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱347,291,787**	₱334,056,455

See accompanying Notes to Financial Statements.

PGA SOMPO INSURANCE CORPORATION
(formerly PGA Sompo Japan Insurance, Inc.)
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

PGA Sompo Insurance Corporation (the Company) is a joint venture of two of Asia's leading nonlife insurance organizations, Prudential Guarantee and Assurance Incorporated (PGAI) (through its major shareholders) and Sompo Japan Nipponkoa Holdings, Inc. The Company is engaged in the business and operation of all kinds of insurance on sea, land and air, on properties, goods and merchandise, on transportation or conveyance, against fire, earthquake, marine perils, accidents and all other forms and lines of insurance authorized by law, except life insurance.

The Company was registered with the Securities and Exchange Commission (SEC) on September 25, 1959. On July 6, 2009, it was approved by at least a majority of the Board of Directors (BOD) and the stockholders owning and representing at least two-thirds (2/3) of the outstanding capital stock, that the Articles of Incorporation will be amended to extend the existence of the Company for another fifty (50) years from its original expiry date. The SEC approved the Amended Articles of Incorporation on September 8, 2009.

On August 14, 2014, it was approved by at least a majority of the BOD and by the vote of the stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock that the Articles of Incorporation will be amended to change the corporate name from PGA Sompo Japan Insurance, Inc. to PGA Sompo Insurance Corporation. The SEC approved the Amended Articles of Incorporation on January 12, 2015.

The registered office address of the Company is 5th Floor, Corinthian Plaza Condominium, 121 Paseo de Roxas, Legaspi Village, Makati City.

In 2015, the shares of one of its venturers, Sompo Japan Insurance, Inc. were sold to Sompo Japan Nipponkoa Holdings, Inc. which makes the latter the new venturer.

The accompanying financial statements were approved and authorized for issue by the BOD of the Company on March 30, 2016.

2. Summary of Significant Accounting Policies

Basis of Preparation
The financial statements have been prepared using the historical cost basis, except for financial assets at fair value through profit or loss (FVPL) and available-for-sale (AFS) financial assets that have been measured at fair value.

The accompanying financial statements are presented in Philippine Peso (₱), which is also the Company's functional currency. All amounts are rounded off to the nearest peso values, unless otherwise indicated.

Statement of Compliance
The accompanying financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial years except for the adoption of the following new and amended PFRS and Philippine Interpretations of International Financial Reporting Interpretation Committee (IFRIC) interpretations which became effective beginning January 1, 2015. Except as otherwise stated, the adoption of these new and amended standards and Philippine Interpretations did not have any impact on the financial statements.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)*
  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. This amendment is effective for annual periods beginning on or after January 1, 2015. The amendment has no impact to the Company.

Annual Improvements to PFRSs 2010-2012 cycle

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

- PFRS 2, *Share-based Payment – Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - A performance condition must contain a service condition
  - A performance target must be met while the counterparty is rendering service
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
  - A performance condition may be a market or non-market condition
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*
  The amendment is 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). The amendment has no impact to the Company.

- 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 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. The amendment has no impact to the Company.

- 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. The application of these amendments has no material impact on the disclosure on the company financial statements.

Annual Improvements to PFRSs 2011-2013 cycle
The 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 on the Company.

- 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. The Company does not apply the portfolio exception in PFRS 13.

- 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).

Standards issued but not yet effective
Enumerated below are standards issued but not yet effective as of to date of issuance of the company financial statements. The Company will adopt relevant standards when these become effective. The Company does not expect the adoption of these new and amended PFRS to have significant impact on the company financial statements.

Deferred

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Company.

Effective in 2016

- PAS 1, *Presentation of Financial Statements* – Disclosure Initiative

  The amendments clarify the materiality requirements in PAS 1 that entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions. It also clarify that specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated; that entities have flexibility as to the order in which they present the notes to financial statements; that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. And for additional subtotals presented in the statement of profit or loss and OCI, line items should be presented to reconcile any such subtotals with the subtotals or totals currently required in PFRS for such statement. This amendment is expected to have an impact on presentation of Company's financial statements only.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization (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. These amendments are not expected to have any impact to the Company since it has no intangible assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture* – Bearer Plants (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After

initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively 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 as the Company does not have any bearer plants.

- 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 on the Company's financial statements.

- PFRS 10, *Consolidated 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 1 January 2016.

- 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, a 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 party.

  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 does not 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 on the Company.

- 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).

Effective in 2017

- PAS 12, *Income Taxes – Recognition of deferred tax assets for unrealised losses*
  These amendments clarify that unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. It also clarify that the carrying amount of an asset does not limit the estimation of probable future taxable profits and estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. And lastly, any entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type. 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' financial statements.

Effective in 2018

- 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.

  The adoption of PFRS 9 is not expected to have any significant impact on the Company's financial statements. The Company is currently assessing the impact of adopting this standard.

- IFRS 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 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 IFRS 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 IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Effective in 2019

- IFRS 16, *Leases*
  IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise 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 IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019. The adoption of IFRS 16 is not expected to have any significant impact on the Company's financial statements.

Use of Estimates, Assumptions and Judgments

The preparation of the financial statements necessitates the use of estimates, assumptions and judgments. These estimates and assumptions affect the reported amounts of assets and liabilities and contingent liabilities at the end of the reporting period as well as affecting the reported income and expenses for the year. Although the estimates are based on management's best knowledge and judgment of current facts as at the end of the reporting period, the actual outcome may differ from these estimates, possibly significantly. For further information on critical accounting estimates and judgments, refer to Note 3.

Product Classification

Insurance contracts

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.

Investment contracts

Investment contracts mainly transfer financial risk but can also transfer insignificant insurance 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 obligations are extinguished or have expired. Investment contracts can however be reclassified as insurance contracts after inceptions if the insurance risk becomes significant.

Foreign Currency Transactions and Translations

Transactions in foreign currencies 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 at the functional currency rate of exchange ruling at the end of the reporting period. 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 recognized in profit or loss, except where it relates to equity securities where gains or losses are recognized in other comprehensive income.

Fair Value Measurement

The Company measures financial instruments, such as financial assets at fair value through profit or loss (FVPL) and available-for-sale (AFS) financial assets at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 22.

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 the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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 or liabilities
- *Level 2* - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- *Level 3* - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statement on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) and 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 asset or liability and the level of the fair value hierarchy as explained above.

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

Short-term Investments
Short term investments are short-term placements with maturities of more than three months but less than one year from the date of acquisition. These earn interest at the respective short-term investment rates.

Insurance Receivables
Insurance receivables are recognized on policy inception dates and measured on initial recognition at the fair value of the consideration receivable for the period of coverage. Subsequent to initial recognition, insurance receivables are measured at amortized cost. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income.

Insurance receivables are derecognized under the derecognition criteria of financial assets.

Financial Instruments

Date of recognition

Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial recognition of financial instruments

Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in the case of a liability). Except for financial instruments at FVPL, the initial measurement of financial assets includes transaction costs. The Company classifies its financial assets in the following categories: financial assets at FVPL, AFS financial assets, loans and receivables and held to maturity (HTM). The Company classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every end of the reporting period.

As of December 31, 2015 and 2014, the Company's financial instruments are in the nature of financial assets at FVPL, AFS financial assets, loans and receivables and other financial liabilities.

Day 1 Difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions for the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the statement of income unless it qualifies for recognition as some other type of asset. In cases where an unobservable data is used, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' difference amount.

Financial Assets or Financial Liabilities at FVPL

This category consists of financial assets or financial liabilities that are held for trading or designated by management as at FVPL on initial recognition. Derivative instruments, except those covered by hedge accounting relationships, are classified under this category.

Financial assets or financial liabilities may be designated at initial recognition as at FVPL if the following criteria are met: (a) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or (b) the assets or liabilities are part of a group of financial assets or liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (c) the financial asset or financial liabilities contains an embedded derivative that would need to be separately recorded.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value, with changes in the fair value recorded in the statement of income. Interest earned or incurred is recorded in interest income or interest expense, respectively, while dividend income is recorded when the right to receive the payment has been established.

The Company's financial assets at FVPL as of December 31, 2015 and 2014 consist of treasury bills and notes denominated in Philippine Peso which were designated as FVPL upon initial recognition. There are no financial liabilities at FVPL recorded by the Company as of December 31, 2015 and 2014.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as AFS or FVPL. This accounting policy relates to the statement of financial position captions "Cash and cash equivalents", "Short-term investments", "Insurance receivables" and "Loans and receivables".

After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and fees that are integral part of effective interest rate. The amortization is recorded as part of interest income under the statement of income caption "Investment and other income". The loss arising from impairment of such loans and receivables are recognized in the statement of income.

AFS Financial Assets
AFS financial assets are those which are designated as such or do not qualify to be classified as designated as FVPL, HTM or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets 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 statement of income. Interest earned on holding AFS debt securities are recorded as interest income under "Investment and other income" account in the statement of income using the effective interest rate.

Dividends earned on holding AFS equity securities are recognized in the statement of income when the right to receive the payment has been established. The unrealized gains and losses arising from the fair valuation of AFS financial assets are reported as "Revaluation reserve on available-for-sale financial assets" in the equity section of the statement of financial position. The losses arising from impairment are charged to in the statement of income. When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the statement of income.

Where the Company holds more than one investment in the same security, the cost used is determined using the weighted average method.

HTM Investments
HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which management has the positive intention and ability to hold to maturity. Where the company sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS securities.

After initial measurement, these investments are subsequently measured at amortized cost using the effective interest rate method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in income when the HTM investments are derecognized and impaired, as well as through the amortization process. The losses arising from impairment of such investments are recognized in the statement of income. The effects of restatement on foreign currency-denominated HTM investments are recognized in the statement of income.

In 2015 and 2014, the Company has not classified any of its financial assets as HTM investments.

Other Financial Liabilities
Issued financial instruments or their components, which are not designated 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 to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate 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. Any effects of restatement of foreign currency-denominated liabilities are recognized in the statement of income.

This accounting policy applies principally to the Company "Insurance payables" and "Accounts payable and accrued expenses" that meet the above definitions (other than liabilities covered by other accounting standards, such as net pension obligation and income tax payable).

Impairment of Financial Assets
The Company assesses at each end of the reporting period whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial asset is deemed to be impaired, if and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event), and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers 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 measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses 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 for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. Time value is generally not considered when the effect of discounting is not material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged against the statement of income. If, in a subsequent period, the amount of the estimated impairment loss decreases because of 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 statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as past-due status and term.

AFS financial assets
In case of equity investments classified as AFS, impairment indicators would include a significant or prolonged decline in the fair value of the investments below its 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 equity - is removed from equity and recognized in the statement of income. Impairment losses on equity investments are not reversed through the statement of income. Increases in fair value after impairment are recognized directly in other comprehensive income.

In case of debt instruments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss and is recognized in the statement of income. If subsequently, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of income, the impairment loss is reversed through the statement of income.

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

Derecognition of Financial Assets and Liabilities
Financial assets
Financial assets (or where applicable a part of a financial asset or part of a group of a similar financial assets) are derecognized when: (a) the rights to receive cash flows from the asset have expired; (b) 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 (c) the Company has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) 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 right 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 the Company could be required to repay.

Financial liabilities
Financial liabilities are derecognized when the obligation under the liability is discharged, cancelled, or has expired. 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 an 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 statement of income.

Reinsurance
The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent recoverable loss balances due from insurance and reinsurance companies and the deferred reinsurance premiums. Recoverable amounts are estimated in a manner consistent with the claims provision and in accordance with the reinsurance contracts.

An impairment review is performed at each end of the reporting period or more frequently when an indication of impairment arises during the reporting 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 will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

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 balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

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

When the Company enters into a proportional treaty reinsurance agreement for ceding out its insurance business, the Company initially recognizes a liability at transaction price. Subsequent to initial recognition, the portion of the amount initially recognized as a liability, which is presented as "Insurance Payables" in the liabilities section of the Statement of Financial Position, will be withheld and recognized as funds held for reinsurers and included also as part of the "Insurance Payables" in the liabilities section of the statement of financial position.

Deferred Acquisition Costs (DAC)
Commission and other acquisition costs that vary with and are primarily related to the acquisition of new and renewal insurance contracts are deferred and charged to expense in proportion to the premium revenue recognized. These costs are amortized on a straight-line basis using the 24th method over the life of the contract except for the marine cargo where commissions for the last

two months of the year are recognized as expense the following year. Amortization is charged against the statement of income. The unamortized acquisition costs are shown in the assets section of the statement of financial position as "Deferred acquisition costs". All other acquisition costs are recognized as incurred.

An impairment review is performed at each end of the reporting period or more frequently when an indication of impairment arises. The carrying value is written down to the recoverable amount and the impairment loss is charged against the statement of income. The DAC is also considered in the liability adequacy test for each end of the reporting period.

Property and Equipment

All items of property and equipment, which include owner-occupied properties, are stated at cost less accumulated depreciation and amortization and any impairment in value.

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

Depreciation is provided on a straight-line basis over the estimated useful lives of the individually significant components of property and equipment. Leasehold improvements are amortized over the shorter of the related lease term or the estimated useful life.

The estimated useful lives of the individually significant components of property and equipment follow:

	Years
Office furniture, fixtures and equipment	3-5
Leasehold improvements	3
Transportation equipment	5
Computer equipment	3

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset, which is calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the statement of income in the year the asset is derecognized.

Impairment of Nonfinancial Assets

At each end of the reporting period, the Company assesses whether there is any indication that its non-financial assets (e.g., property and equipment) may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Company makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs. Where the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the asset is considered impaired and 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 assessments of the time value of money and the risks specific to the asset.

An impairment loss is charged against operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged against the revaluation increment of the said asset.

For nonfinancial assets excluding goodwill, an assessment is made at each end of the reporting period 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 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 recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statements of income 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 expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining estimated useful life.

Creditable Withholding Taxes (CWTs)
Creditable withholding taxes pertain to the taxes paid by the Company withheld by its counterparty for the payment of its expenses and other purchases. These CWTs are initially recorded at cost as an asset under "Other assets" account.

At each end of the tax reporting deadline, these CWTs may either be offset against future tax income payable or be claimed as a refund from the taxation authorities at the option of the Company. If these CWTs are claimed as a refund, these will be recorded as a receivable under "Loans and receivables" account.

At each end of the reporting period, an assessment for impairment is performed as to the recoverability of these CWTs.

Value-added Tax (VAT)
The input value added tax pertains to the 12% indirect tax paid by the Company in the course of the Company's trade or business on local purchase of goods or services.

Output VAT pertains to the 12% tax due on the sale of insurance policies and other goods or services by the Company.

Insurance Contracts Liabilities
Provision for unearned premiums
The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired, is deferred as provision for unearned premiums and presented as part of "Insurance contract liabilities" in the liabilities section of the statement of financial position. Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method except for the marine cargo where premiums for the last two months are considered earned the following year. The change in the provision for unearned premiums is taken to the statement of income in the order that revenue

is recognized over the period of risk. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Claims provisions and incurred but not reported (IBNR) losses
Provision for claims reported and claims incurred but not reported (IBNR) are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the reporting date. The liability is not discounted for the time value of money. The liability is derecognized when the contract is discharged, cancelled or has expired.

Liability adequacy test
At each reporting date, liability adequacy tests are performed, to ensure the adequacy of insurance contract liabilities, net of related DAC assets. In performing the test, current best estimates of future cash flows, claims handling and policy administration expenses are used. Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the liability for claims and future benefits. Any inadequacy is immediately charged to the statement of income by establishing an unexpired risk provision for losses arising from the liability adequacy tests. The provision for unearned premiums is increased to the extent that the future claims and expenses in respect of current insurance contracts exceed future premiums plus the current provision for unearned premiums.

Net Pension Benefit Obligation
The net defined benefit liability or asset 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 any effect of limiting a net defined benefit 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 the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current 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 amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit 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 benefit liability or asset. Net interest on the net defined benefit 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 benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. Remeasurements recognized in OCI after the initial adoption of PAS 19 (Revised) are not closed to any other equity account.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Equity

Capital stock represents the value of shares that have been issued at par.

Contributed surplus includes any premiums received in excess of par value on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from contributed surplus.

Retained earnings include all the accumulated earnings of the Company less dividends declared.

Revenue Recognition

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

Premium income

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

Premiums are recognized as revenue over the period of the contracts using the 24th method except for marine cargo where the provision for unearned premiums pertains to the premiums of the last two months of the year. The portion of the premiums written and assumed that relate to the unexpired periods of the policies as of reporting date are accounted for as provision for unearned premiums and presented in the liabilities section of the statement of financial position under "Insurance contract liabilities" account. The related reinsurance premiums that pertain to the unexpired periods at reporting date are accounted for as deferred reinsurance premiums which are presented in the assets section of the statement of financial position under "Reinsurance assets". The net changes in these accounts between reporting dates are charged against or credited to income for the year.

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

Interest income
Interest income is recognized in the statement of income as it accrues, taking into account the effective yield of the asset. Interest income includes the amortization of any discount or premium using the effective interest rate method.

Dividend income
Dividend income is recognized when the Company's right to receive the payment is established.

Benefits and Claims
Gross benefits and claims consists of benefits and claims paid to policyholders as well as changes in the gross valuation of "Insurance contract liabilities", except for gross changes in the provision for unearned premiums which are included in net premiums earned. It further includes internal and external claims handling costs that are directly related to the processing and settlement of claims. Amounts receivable in respect to salvage and subrogation are also considered and are offset against the related claim. General insurance claims are recorded in the basis of notifications received.

Other Expenses
General expenses and interest expense are recognized in the statement of income as they are incurred.

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

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

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

Leases where the lessor does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating lease. Lease payments under an operating lease are recognized as expenses on a straight-line basis over the lease term.

Finance leases, which transfer substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Income Tax

Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred income tax

Deferred income tax is provided using the liability method on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefit of the excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward of MCIT and unused NOLCO can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date 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 assets to be utilized. Unrecognized deferred income tax assets are reassessed at each end of the reporting period and are recognized to the extent that it has become probable that future taxable profit will allow all or part of the deferred income tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rate that is expected to apply to the year 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 date. Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged against or credited to statement of income for the period.

Current tax and deferred income tax relating to items directly recognized in equity are also recognized directly in equity and not in the statement of income.

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

Provisions

Provisions are recognized only when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

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

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with PFRS requires the Company to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

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 determinable under the circumstances.

Judgments
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimates and assumptions, which have the most significant effects on the amounts recognized in the financial statements.

Operating lease commitments – Company as lessee
The Company has entered into property leases with various lessors. The Company has determined that the lessors retain all the significant risks and rewards of ownership of the leased properties and thus, accounts for the lease contracts as operating leases.

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

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Determination of fair values of financial assets
Fair value determinations for financial assets are based generally on listed market prices or broker or dealer price quotations. If prices are not readily determinable or if liquidating the positions is reasonably expected to affect market prices, fair value is based on either internal valuation models

or management's estimate of amounts that could be realized under current market conditions, assuming an orderly liquidation over a reasonable period of time. The use of assumptions could produce materially different estimates of fair value.

The carrying value of financial assets at FVPL amounted to ₱108,328,796 and ₱99,412,208 as of December 31, 2015 and 2014, respectively. AFS financial assets amounted to ₱39,071,749 and ₱35,101,640 as of December 31, 2015 and 2014, respectively (see Note 6).

Valuation of insurance contract liabilities
Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of IBNR claims at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claims settlement trends to predict future claims settlement trends. At each reporting date, prior year claims estimates are assessed for adequacy and changes made are charged to provision. Insurance contract liabilities are not discounted for the time value of money.

The main assumption underlying the estimation of the claims provision is that a Company's past claims development experience can be used to project future claims development and hence ultimate claim costs. Historical claims development is mainly analyzed by accident years, but can also be further analyzed by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

The carrying value of provision for claims reported and loss adjustment expenses amounted to ₱184,272,917 and ₱233,365,090 as of December 31, 2015 and 2014, respectively. Provision for IBNR claims amounted to ₱372,703 and ₱766,800 as of December 31, 2015 and 2014, respectively (see Note 11).

Estimation of allowance for impairment losses on receivables
The Company maintains an allowance for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the debtor, the debtor's payment behavior and known market forces. The Company reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates.

The carrying value of insurance receivables amounted to ₱398,014,729 and ₱284,283,345 as of December 31, 2015 and 2014, respectively. The allowance for doubtful accounts for insurance receivables amounted to ₱340,879 in 2015 and ₱310,139 in 2014 (see Note 5).

The carrying value of loans and receivables amounted to ₱28,259,339 and ₱30,318,572 as of December 31, 2015 and 2014, respectively. The allowance for doubtful accounts for loans and receivables amounted to nil and ₱39,340 as of December 31, 2015 and 2014, respectively (see Note 6).

Impairment of AFS equity financial assets
The Company determines that AFS equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is 'significant' or 'prolonged' requires judgment. The Company treats 'significant' generally as 20% or more and 'prolonged' as greater than twelve months for quoted equity securities. In addition, the Company evaluates among other factors, the normal volatility in share price for quoted securities, and the future cash flows and the discount factors for unquoted securities. Impairment may also be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

As of December 31, 2015 and 2014, the carrying value of the Company's AFS equity financial assets amounted to ₱39,071,749 and ₱35,101,640, respectively (see Note 6).

No impairment loss on AFS financial assets was recognized in 2015 and 2014.

Estimation of useful lives of property and equipment
The Company reviews annually the estimated useful lives of property and equipment based on expected asset utilization. It is possible that future results of operations could be materially affected by changes in these estimates. A reduction in the estimated useful lives of property and equipment would increase recorded depreciation and amortization expense and decrease the related asset accounts.

As of December 31, 2015 and 2014, the carrying value of the Company's property and equipment amounted to ₱3,411,210 and ₱4,554,879, respectively (see Note 9).

Impairment of property and equipment
The Company assesses the impairment of its property and equipment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the assets; and
- significant negative industry or economic trends.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that can materially affect the Company's financial statements.

As of December 31, 2015 and 2014, the carrying value of the Company's property and equipment amounted to ₱3,411,210 and ₱4,554,879, respectively (see Note 9).

No impairment losses on property and equipment were recognized in 2015 and 2014.

Recognition of deferred income tax assets
Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which these can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized. These assets are periodically reviewed for realization. Periodic reviews cover the

nature and amount of deferred income and expense items, expected timing when assets will be used or liabilities will be required to be reported, reliability of historical profitability of businesses expected to provide future earnings and tax planning strategies which can be utilized to increase the likelihood that tax assets will be realized.

The carrying value of recognized deferred tax assets amounted to ₱12,171,170 and ₱15,003,151 as of December 31, 2015 and 2014, respectively. There are no unrecognized deferred tax assets as of December 31, 2015 and 2014 (see Note 19).

Estimation of pension benefit obligation
The determination of pension obligation and cost of pension is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates.

Due to the long-term nature of this plan, such estimates are subject to significant uncertainty. The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of the reporting date. In accordance with PAS 19, actual results that differ from the Company's assumptions are recognized immediately in other comprehensive income in the period in which they arise. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension obligations.

The carrying value of net pension benefit obligation as of December 31, 2015 and 2014 amounted to ₱10,176,494 and ₱10,681,601, respectively (see Note 14).

Contingencies
The Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with the legal counsels and based upon an analysis of potential results. The Company currently does not believe these proceedings will have a material adverse effect on the Company's financial position. It is possible, however, that the results of operations could be materially affected by changes in the estimates.

4. Cash and Cash Equivalents and Short-term Investments

This account consists of:

	2015	2014
Cash on hand:		
Special fund	**₱30,000**	₱30,000
Petty cash fund	**10,000**	10,000
	40,000	40,000
Cash in banks	**157,561,943**	112,211,687
Short-term deposits	**189,689,844**	221,804,768
	₱347,291,787	₱334,056,455

Cash in banks earns interest at the respective bank deposit rates (see Note 16). Short-term deposits are placed for varying periods of up to three months depending on the immediate cash requirements of the Company, and earn interest at the prevailing short-term deposit rates (see Note 16).

Short-term investments amounted to ₱24,806,578 and nil as of December 31, 2015 and 2014, respectively. These pertain to short-term investments with maturities of more than three (3) months but less than one year from the date of acquisition.

5. Insurance Receivables

This account consists of:

	2015	2014
Due from policyholders	**₱68,199,160**	₱165,153,609
Due from ceding companies	**283,714,288**	114,499,931
Reinsurance recoverable on paid losses:		
Facultative reinsurers	**36,695,417**	4,884,561
Treaty reinsurers	**9,746,743**	55,383
	398,355,608	284,593,484
Less allowance for doubtful accounts	**340,879**	310,139
	₱398,014,729	₱284,283,345

The Company's insurance receivables are all due within one year.

The aging analysis of insurance receivables follows:

	2015						
	1 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 360 days	over 360 days	Total
Due from policyholders	₱44,690,141	₱18,009,801	₱3,030,644	₱35,936	₱321,144	₱2,111,494	₱68,199,160
Due from ceding companies	252,940,023	2,852,490	3,346,009	7,349,775	13,592,026	3,633,965	283,714,288
Reinsurance recoverable on paid losses	33,629,934	2,538,620	1,634,149	3,465,788	4,805,022	368,647	46,442,160
	₱331,260,098	₱23,400,911	₱8,010,802	₱10,851,499	₱18,718,192	₱6,114,106	₱398,355,608

	2014						
	1 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 360 days	over 360 days	Total
Due from policyholders	₱88,060,642	₱18,898,960	₱4,251,244	₱13,211,784	₱24,010,321	₱16,720,658	₱165,153,609
Due from ceding companies	19,280,952	85,294,227	8,312,320	1,612,432	–	–	114,499,931
Reinsurance recoverable on paid losses	4,402,551	–	37,929	55,002	441,098	3,364	4,939,944
	₱111,744,145	₱104,193,187	₱12,601,493	₱14,879,218	₱24,451,419	₱16,724,022	₱284,593,484

In 2015, the Company has recognized impairment loss of ₱30,740 on its insurance receivables, particularly, Due from policyholders.

6. Financial Assets

The Company's financial assets are summarized by measurement categories as follows:

	2015	2014
Financial assets at FVPL	**₱108,328,796**	₱99,412,208
AFS financial assets	**39,071,749**	35,101,640
Loans and receivables	**28,259,339**	30,318,572
	₱175,659,884	₱164,832,420

a) Financial Assets at FVPL

As of December 31, 2015 and 2014, treasury bills and notes with total face values amounting to ₱107,600,000 and ₱97,600,000, and fair values of ₱108,328,796 and ₱99,412,208, respectively, are deposited with the Insurance Commission (IC) in accordance with the provision of the Insurance Code (the Code) as security for the benefit of policyholders and creditors of the Company. These investments are included under financial assets at FVPL. The carrying amounts of these investments are equal to their fair values.

The rollforward analysis of financial assets at FVPL follows:

	2015	2014
At January 1	**₱99,412,208**	₱77,067,052
Acquisitions	**84,400,645**	76,617,617
Fair value losses (Note 16)	**(1,713,478)**	(2,272,815)
Loss on redemption (Note 16)	**(270,579)**	(99,646)
Disposals	**(73,500,000)**	(51,900,000)
At December 31	**₱108,328,796**	₱99,412,208

b) AFS Financial Assets

AFS financial assets consist of investments in golf club shares and quoted equity securities carried at fair value.

The rollforward analysis of AFS financial assets follows:

	2015	2014
At January 1	**₱35,101,640**	₱30,093,310
Fair value gains recognized in other comprehensive income	**3,970,109**	5,008,330
At December 31	**₱39,071,749**	₱35,101,640

The rollforward analysis of the revaluation reserve of AFS financial follows:

	2015	2014
At January 1	**₱30,198,096**	₱25,189,766
Fair value gains recognized in other comprehensive income	**3,970,109**	5,008,330
At December 31	**₱34,168,205**	₱30,198,096

c) Loans and Receivables

This account consists of:

	2015	2014
Long-term investments	**₱20,655,142**	₱21,908,819
Cash advances	**5,304,693**	4,429,429
Interest receivables	**1,413,156**	1,877,113
Accounts receivable	**865,212**	2,128,415
Rental deposits	**21,136**	14,136
	28,259,339	30,357,912
Less allowance for impairment loss	**–**	39,340
	₱28,259,339	₱30,318,572

Long-term investments are money market placements made for varying periods of more than one (1) year and earn interest at 3.00% as of December 31, 2015 and 2014 (see Note 16).

Cash advances includes car loans availed by managerial employees. Outstanding balance of the car loans amounted to ₱841,328 and nil as of December 31, 2015 and 2014, respectively. These car loans will mature on 2019.

In 2015, the Company has written-off portion of its accounts receivable amounting to ₱1,391,127.

7. Reinsurance Assets

This account consists of:

	2015	2014
Deferred reinsurance premiums (Note 11)	**₱660,121,353**	₱513,151,023
Reinsurance recoverable on unpaid losses (Notes 11 and 22)	**174,368,043**	220,317,424
	₱834,489,396	₱733,468,447

8. Deferred Acquisition Costs and Deferred Reinsurance Commissions

Deferred Acquisition Costs

The rollforward analysis of this account follows:

	2015	2014
At January 1	**₱27,468,943**	₱32,082,641
Cost deferred during the year	**40,372,726**	45,901,455
Amortization during the year	**(40,780,109)**	(50,515,153)
At December 31	**₱27,061,560**	₱27,468,943

Deferred Reinsurance Commissions

The rollforward analysis of this account follows:

	2015	2014
At January 1	**₱57,915,057**	₱51,102,907
Income deferred during the year	**81,494,504**	108,953,415
Amortization during the year	**(89,327,944)**	(102,141,265)
At December 31	**₱50,081,617**	₱57,915,057

9. Property and Equipment - net

The rollforward analysis of this account as of December 31 follows:

	2015				
	Office Furniture, Fixtures and Equipment	**Leasehold Improvements**	**Transportation Equipment**	**Computer Equipment**	**Total**
Cost					
Balance at beginning of year	**₱5,555,078**	**₱2,843,105**	**₱12,282,950**	**₱18,517,352**	**₱39,198,485**
Additions	**30,304**	**–**	**–**	**698,680**	**728,984**
Balance at end of year	**5,585,382**	**2,843,105**	**12,282,950**	**19,216,032**	**39,927,469**
Accumulated depreciation and amortization					
Balance at beginning of year	**5,134,602**	**2,843,105**	**8,548,603**	**18,117,296**	**34,643,606**
Depreciation and amortization (Note 18)	**348,344**	**–**	**1,235,837**	**288,472**	**1,872,653**
Balance at end of year	**5,482,946**	**2,843,105**	**9,784,440**	**18,405,768**	**36,516,259**
Net book value					
December 31, 2015	**₱102,436**	**₱–**	**₱2,498,510**	**₱810,264**	**₱3,411,210**

	2014				
	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Transportation Equipment	Computer Equipment	Total
Cost					
Balance at beginning of year	₱5,544,649	₱2,843,105	₱10,845,450	₱18,273,301	₱37,506,505
Additions	10,429	–	1,437,500	244,051	1,691,980
Balance at end of year	5,555,078	2,843,105	12,282,950	18,517,352	39,198,485
Accumulated depreciation and amortization					
Balance at beginning of year	4,773,984	2,843,105	7,396,948	17,904,711	32,918,748
Depreciation and amortization (Note 18)	360,618	–	1,151,655	212,585	1,724,858
Balance at end of year	5,134,602	2,843,105	8,548,603	18,117,296	34,643,606
Net book value					
December 31, 2015	₱420,476	₱–	₱3,734,347	₱400,056	₱4,554,879

10. Other Assets

This account consists of:

	2015	2014
Creditable withholding taxes	**₱59,919,019**	₱49,668,115
Input value added tax (VAT)	**12,841,828**	13,373,969
Documentary stamps fund	**1,836,376**	1,836,376
Security fund	**18,690**	18,690
	₱74,615,913	₱64,897,150

Creditable withholding taxes represent the taxes withheld at source by the counterparty which can be applied against future income tax liability.

Input VAT represents VAT imposed on the Company by its suppliers and contractors for the acquisition of goods and services which can be applied against output VAT liabilities.

11. Insurance Contract Liabilities and Reinsurance Assets

Analysis of short-term insurance contract liabilities net of reinsurance assets follows:

	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities (Note 7)**	**Net 2015**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 7)	Net 2014
Provision for claims reported and loss adjustment expenses	**₱184,272,917**	**₱174,368,043**	**₱9,904,874**	₱233,365,090	₱220,317,424	₱13,047,666
Provision for IBNR claims	**372,703**	**–**	**372,703**	766,800	–	766,800
Total provision for claims reported and IBNR claims (Note 22)	**184,645,620**	**174,368,043**	**10,277,577**	234,131,890	220,317,424	13,814,466
Provision for unearned premiums	**671,720,610**	**660,121,353**	**11,599,257**	520,591,545	513,151,023	7,440,522
Total insurance contract liabilities	**₱856,366,230**	**₱834,489,396**	**₱21,876,834**	₱754,723,435	₱733,468,447	₱21,254,988

Provision for claims reported and IBNR claims may be analyzed as follows:

	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities (Note 7)**	**Net 2015**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 7)	Net 2014
Balance at beginning of year	**₱234,131,890**	**₱220,317,424**	**₱13,814,466**	₱232,936,670	₱223,938,204	₱8,998,466
Claims incurred during the year	**86,489,056**	**81,699,435**	**4,789,621**	109,293,324	96,920,870	12,372,454
(Decrease)/Increase in IBNR claims	**(394,097)**	**–**	**(394,097)**	390,654	–	390,654
Claims paid during the year (Note 17)	**(135,581,229)**	**(127,648,816)**	**(7,932,413)**	(108,488,758)	(100,541,650)	(7,947,108)
Balance at end of year	**₱184,645,620**	**₱174,368,043**	**₱10,277,577**	₱234,131,890	₱220,317,424	₱13,814,466

Provision for unearned premiums may be analyzed as follows:

	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 7)	Net 2015	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 7)	Net 2014
Balance at beginning of year	**₱520,591,545**	**₱513,151,023**	**₱7,440,522**	₱401,449,471	₱395,568,698	₱5,880,773
New policies written during the year (Note 15)	**1,256,669,127**	**1,228,976,289**	**27,692,838**	1,239,169,301	1,222,869,458	16,299,843
Premiums earned during the year (Note 15)	**(1,105,540,062)**	**(1,082,005,959)**	**(23,534,103)**	(1,120,027,227)	(1,105,287,133)	(14,740,094)
Balance at end of year	**₱671,720,610**	**₱660,121,353**	**₱11,599,257**	₱520,591,545	₱513,151,023	₱7,440,522

12. Insurance Payables

The roll-forward analysis of insurance payables follows:

	2015			2014		
	Due to reinsurers and ceding companies	Funds held for reinsurers	Total	Due to reinsurers and ceding companies	Funds held for reinsurers	Total
At January 1	**₱328,802,927**	**₱–**	**₱328,802,927**	₱155,899,699	₱–	₱155,899,699
Arising during the year (Note 15)	**1,228,976,289**	**4,871,948**	**1,233,848,238**	1,222,869,458	21,618,249	1,244,487,707
Settled	**(1,075,633,737)**	**(4,871,948)**	**(1,080,505,686)**	(1,049,966,230)	(21,618,249)	(1,071,584,479)
At December 31	**₱482,145,479**	**₱–**	**₱482,145,479**	₱328,802,927	₱–	₱328,802,927

Interest expense on funds held for reinsurers amounted to ₱105,255 and ₱194,765 in 2015 and 2014, respectively.

13. Accounts Payable and Accrued Expenses

This account consists of:

	2015	2014
Customers' deposits	**₱20,867,687**	₱29,892,593
Commission payable	**14,004,448**	16,463,147
Output VAT	**10,665,609**	13,009,374
Accounts payable	**35,083,846**	7,418,551
Taxes payable	**1,105,357**	2,774,690
Accrued expenses	**1,559,209**	1,633,670
Others	**348,395**	137,879
	₱83,634,551	₱71,329,904

Customers' deposits are advanced premium collections from policyholders which will be recognized as premium income upon the inception of the policies.

Commission payable pertains to unpaid commissions on the Company's direct business, payable to agents and brokers, which are due upon the collection of the related premiums receivable.

Output VAT is mainly composed of VAT due from premium income and reinsurance commission earned.

Taxes payable consists of taxes and licenses payable, documentary stamps, withholding taxes and other taxes.

Accounts payable and accrued expenses are expected to be settled within twelve (12) months after the end of the reporting period.

14. Net Pension Benefit Obligation

The Company has a funded, noncontributory, defined benefit retirement plan covering substantially all of its employees.

The following tables summarize the components of the "Net pension benefit expense" recognized in the statement of income, under "General expenses" account (see Note 18), "Remeasurements on defined benefit plan" recognized in the statement of comprehensive income, and the unfunded status recognized in the statement of financial position for the retirement plan.

Net pension benefit expense

	2015	2014
Current service cost	**₱1,007,001**	₱962,277
Net interest cost	**466,786**	389,954
Net benefit expense	**₱1,473,787**	₱1,352,231

Remeasurement effects to be recognized in OCI

	2015	2014
Actuarial gain (loss):		
Due to change in financial assumption	**₱123,005**	₱63,063
Due to change in demographic assumption	**(15,925)**	–
Due to experience	**17,628**	78,975
	124,708	142,038
Return on assets (excluding amount included in net interest cost)	**(95,814)**	(74,934)
Total gains to be recognized in OCI	**₱28,894**	₱67,104

Net pension benefit obligation

	2015	2014
Present value of defined benefit obligation	**₱12,728,941**	₱13,218,979
Less fair value of plan assets	**2,552,447**	2,537,378
Net pension benefit obligation	**₱10,176,494**	₱10,681,601

The reconciliation of the present value of defined benefit obligation is as follows:

	2015	2014
At January 1	**₱13,218,979**	₱11,904,695
Interest cost	**577,669**	494,045
Current service cost	**1,007,001**	962,277

(Forward)

	2015	2014
Actuarial losses on obligation	**(₱124,708)**	(₱142,038)
Transfers	**(1,950,000)**	–
At December 31	**₱12,728,941**	₱13,218,979

The movements in the fair value of the plan assets follow:

	2015	2014
At January 1	**₱2,537,378**	₱2,508,221
Interest income	**110,883**	104,091
Return on assets (excluding amount included in net interest cost)	**(95,814)**	(74,934)
At December 31	**₱2,552,447**	₱2,537,378
Actual return on plan assets	**₱15,070**	₱29,157

The distribution of plan assets as of December 31, 2015 and 2014 follows:

	2015	2014
Investments in government securities	**₱1,358,361**	₱1,407,336
Accrued interest income	**12,120**	12,716
Savings and time deposits	**1,185,154**	1,120,497
	2,555,635	2,540,549
Less trust fund fees payable	**3,188**	3,171
	₱2,552,447	₱2,537,378

The principal actuarial assumptions used in determining pension benefit obligation are as follows:

	2015	2014
Salary increase rate	**3.00%**	3.00%
Discount rate	**4.89%**	4.37%

The Company expects to contribute ₱1,801,517 to its defined benefit plan in 2015.

Sensitivity analysis

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

		2015	2014
	Change in variables	**Increase (Decrease)**	Increase (Decrease)
Discount rate	**+5%**	**(₱106,164)**	(₱132,257)
	-5%	**119,597**	147,414
Salary increase rate	**+1%**	**268,268**	296,464
	-1%	**(190,501)**	(227,158)

Maturity profile

Shown below is the maturity analysis of the undiscounted benefits payments as of December 31, 2015:

Less than one (1) year	₱4,358,373
More than one (1) year to five (5) years	1,244,037
More than five (5) years to 10 years	9,688,553
More than 10 years to 15 years	2,284,031
More than 15 years to 20 years	7,049,452
More than 20 years	30,615,661
	₱55,240,107

The average duration of the defined benefit obligation at the end of the reporting period is 20 years.

15. Net Premiums Earned

Net premiums earned on insurance contracts are as follows:

	2015	2014
Gross premiums on insurance contracts:		
Direct insurance	**₱524,979,194**	₱609,487,324
Assumed reinsurance	**731,689,933**	629,681,977
Total gross premiums on insurance contracts (Note 11)	**1,256,669,127**	1,239,169,301
Gross change in provision for unearned premiums (Note 11)	**(151,129,065)**	(119,142,074)
Total gross premiums earned on insurance contracts	**1,105,540,062**	1,120,027,227
Reinsurers' share of gross premiums on insurance contracts:		
Direct insurance	**502,085,744**	597,364,780
Assumed reinsurance	**726,890,545**	625,504,678
Total reinsurers' share of gross premiums on insurance contracts (Note 11)	**1,228,976,289**	1,222,869,458
Reinsurers' share of change in provision for unearned premiums (Note 11)	**(146,970,330)**	(117,582,325)
Total reinsurers' share of gross premiums earned on insurance contracts	**1,082,005,959**	1,105,287,133
Net premiums earned	**₱23,534,103**	₱14,740,094

16. **Investment and Other Income** - net

Investments and other income consist of the following:

	2015	2014
Interest income:		
Financial assets at FVPL	**₱4,830,438**	₱7,319,112
Cash and cash equivalents and short-term and long-term investments	**4,319,297**	912,259
Dividend income	**5,320**	6,475
Fair value losses on financial assets at FVPL (Note 6)	**(1,713,478)**	(337,795)
Loss on redemption of financial assets at FVPL (Note 6)	**(270,579)**	(99,646)
Others	**(982,909)**	3,501,020
	₱6,188,089	₱11,301,425

17. **Net Insurance Contract Benefits and Claims**

Gross insurance contract benefits and claims paid consist of the following:

	2015	2014
Insurance contract benefits and claims paid:		
Direct insurance	**₱120,580,855**	₱71,127,767
Assumed reinsurance	**15,000,374**	37,360,991
Total insurance contract benefits and claims paid (Note 11)	**₱135,581,229**	₱108,488,758

Reinsurers' share of gross insurance contract benefits and claims paid consist of the following:

	2015	2014
Reinsurers' share of insurance contract benefits and claims paid:		
Direct insurance	**₱112,863,058**	₱67,129,536
Assumed reinsurance	**14,785,758**	33,412,114
Total reinsurers' share of insurance contract benefits and claims paid (Note 11)	**₱127,648,816**	₱100,541,650

Gross change in insurance contract liabilities:

	2015	2014
Change in provision for claims reported:		
Direct insurance	**(₱19,596,652)**	(₱7,735,530)
Assumed reinsurance	**(29,495,521)**	8,540,096
Change in provision for IBNR claims	**(394,097)**	390,654
Total gross change in insurance contract liabilities (Note 11)	**(₱49,486,270)**	₱1,195,220

Reinsurers' share of gross change in insurance contract liabilities:

	2015	2014
Reinsurers' share of gross change in outstanding claims provisions:		
Direct insurance	₱3,041,717	13,920,656
Assumed reinsurance	42,907,664	(10,299,876)
Total reinsurers' share of gross change in insurance contract liabilities (Note 11)	₱45,949,381	₱3,620,780

18. General Expenses

This account consists of:

	2015	2014
Salaries and benefits (Notes 14 and 24)	₱25,630,771	₱22,469,200
Taxes, licenses and fees	8,036,152	4,299,235
Professional fees	5,507,213	1,618,494
Rent (Note 24)	5,840,721	5,712,928
Entertainment, amusement and recreation	4,015,421	4,346,433
Communication, light and water	3,875,362	4,301,015
Service fees	3,690,006	3,595,818
Maintenance and repairs	1,004,319	3,133,259
Transportation	2,888,580	3,039,175
Depreciation and amortization (Note 9)	1,872,653	1,724,858
Net pension benefit expense (Note 14)	1,473,787	1,352,231
Write-off loss on accounts receivable (Note 6)	1,391,127	347,782
Insurance	1,040,657	952,187
Stationery and supplies	924,873	696,080
SSS, HDMF and other contributions	662,995	621,176
Trainings and seminars	67,190	329,363
Bad debts expense (Note 5)	30,740	310,139
Advertising	66,552	105,594
Others	600,522	597,243
	₱68,619,641	₱59,552,210

19. Income Tax

The provision for income tax consists of:

	2015	2014
Current	₱905,693	₱1,330,192
Final	1,695,288	1,484,612
Deferred	2,823,317	(900,942)
	₱5,424,298	₱1,913,862

The current provision for income tax in 2015 and 2014 pertains to MCIT.

The components of net deferred tax assets follow:

	2015	2014
Deferred tax assets:		
Deferred reinsurance commissions	**₱15,024,485**	₱17,374,517
Net pension benefit obligation – P/L	**2,595,498**	2,738,366
NOLCO	**2,342,095**	–
Excess MCIT	**2,005,341**	1,099,648
Unrealized impairment loss on AFS financial assets	**150,000**	150,000
Provision for IBNR claims	**111,811**	230,040
Allowance for doubtful accounts	**102,264**	104,844
Unrealized foreign currency exchange losses	–	729,815
Difference in provision for unearned premiums per books over tax basis – net	–	370,422
	22,331,494	22,797,652
Deferred tax assets through OCI		
Remeasurements on pension	**457,450**	466,114
Total deferred tax assets	**22,788,944**	23,263,766
Deferred tax liabilities:		
Deferred acquisition costs	**8,118,468**	8,240,683
Unrealized foreign currency exchange gains	**2,375,434**	19,932
Difference in provision for unearned premiums per books over tax basis – net	**123,872**	–
Total deferred tax liabilities	**10,617,774**	8,260,615
Net deferred tax assets	**₱12,171,170**	₱15,003,151

Movements in net deferred tax assets comprise of:

	2015	2014
At beginning of the year	**₱15,003,151**	₱14,122,340
Amounts credited to (charged against) statements of income	**(2,823,317)**	900,942
Amount charged against statements of comprehensive income	**(8,664)**	(20,131)
At end of the year	**₱12,171,170**	₱15,003,151

As of December 31, 2015, details of excess MCIT which can be claimed as deduction from future taxable income follows:

Year earned	Year of expiry	Amount
2015	2018	₱905,693
2014	2017	362,303
2013	2016	737,345
		₱2,005,341

NOLCO in 2015 amounting to ₱7,806,984 will expire on 2018.

The reconciliation of provision for income tax computed at the statutory corporate income tax rate to provision for income tax shown in the statements of income follows:

	2015	2014
Income at statutory income tax rate	**30.00%**	30.00%
Tax effects of:		
Interest income subjected to final tax	**(9.18%)**	(30.82%)
Dividend income	**(0.01%)**	(0.06%)
Nondeductible expenses	**21.40%**	56.66%
Loss on redemption of financial assets at FVPL	**0.71%**	0.94%
Fair value losses on financial assets at FVPL	**4.49%**	3.17%
Provision for income tax	**47.41%**	59.89%

20. **Contingencies**

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position and results of operation.

21. **Reconciliation of Net Income under PFRS to Statutory Net Income (Loss)**

The reconciliation of net income under PFRS to statutory net income (loss) follows:

	2015	2014
Net income under PFRS	**₱6,015,670**	₱1,281,912
Add (deduct):		
Difference in change in reserve for unearned premiums - net	**(1,647,651)**	252,237
Deferred reinsurance commissions - net	**(7,426,059)**	11,425,848
Provision for IBNR	**(394,098)**	390,655
Tax effects of PFRS reconciling items	**2,840,343**	(3,620,622)
Statutory net income (loss)	**(₱611,795)**	₱9,730,030

22. **Management of Capital, Insurance and Financial Risks**

Governance Framework

The Company, pursuant to Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code of the Philippines submitted to the Insurance Commission the general disclosure requirement with respect to its operations. It includes capitalization, shareholders of record, board composition and size including qualifications, mission and responsibilities of the board, management accountability, internal control and operational risk management. It likewise declares its public accountability and transparency in financial reporting in compliance with the good governance requirements.

Regulatory Framework

Regulators are interested in protecting the rights of the policyholders and maintain close vigil to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains appropriate solvency position to meet liabilities arising from claims and that the risk levels are at acceptable levels.

The operations of the Company are subject to the regulatory requirements of the IC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions (e.g. minimum statutory net worth requirements and risk-based capital requirements).

Capital Management Framework

The Company maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect the policyholders.

The Company reviews the capital requirements through monthly computation of the statutory networth and the RBC which is regularly communicated to the major shareholders. With this procedure, shareholders are forewarned in anticipation of the IC requirements of additional capital infusion. Shareholders are well updated with these externally imposed capital requirements since these are being discussed during annual BOD meeting. Evidently they have shown their commitment to comply with this regulation, same as prior years when they willingly infused additional cash as the need arises.

Minimum Statutory Networth

On August 15, 2013, the President of the Philippines approved Republic Act No. 10607, otherwise known as the "New Insurance Code" which provides the new capitalization requirements for all existing insurance companies based on net worth on a staggered basis starting June 30, 2013 up to December 31, 2022. The following presents the amount of required net worth and the schedule of compliance per New Insurance Code:

Networth	Compliance Date
₱250,000,000	June 30, 2013
550,000,000	December 31 ,2016
900,000,000	December 31, 2019
1,300,000,000	December 31, 2022

On January 13, 2015, the IC issued the Circular Letter (CL) No. 2015-02-A which provides for the clarification of minimum capital requirements under Sections 194, 197, 200 and 289 of the New Insurance Code. The said circular supersedes the Department Order Nos. 27-06 and 15-2012 and CL Nos. 22-2008 and 26-2008.

The minimum networth requirement must remain unimpaired for the continuance of the license.

As of December 31, 2015 and 2014, the Company's estimated statutory net worth amounted to ₱416,185,230 and ₱405,111,860, respectively.

The final statutory networth can be determined only after the accounts of the Company have been examined by IC.

Risk-based Capital Requirements
The Amended Code provides that the Commissioner may require the adoption of the risk-based capital approach and other internationally accepted forms of capital framework. Together with the insurance industry, the IC is currently in the process of adopting a new RBC approach that would be more tailored to the Philippine insurance industry. Pending the adoption of the new RBC approach, the provisions of IMC No. 7-2006 shall still be used for purposes of the December 31, 2015 and 2014 financial reporting.

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

The RBC ratio shall be calculated as Networth divided by the RBC requirement. Networth shall include the Company's paid-up capital, contributed and contingency surplus and unassigned surplus. Revaluation and fluctuation reserve accounts shall form part of networth only to the extent authorized by the IC.

The following table shows how the RBC ratio as of December 31, 2015 and 2014 was determined by the Company:

	2015	2014
Net worth	**₱416,185,230**	₱405,111,860
RBC requirement	**297,729,760**	271,559,500
RBC Ratio	**140%**	149%

The final RBC ratio can be determined only after the accounts of the Company have been examined by IC.

If an insurance company failed to meet the minimum statutory networth requirements and risk-based capital requirements, the IC is authorized to suspend or revoke all certificates of authority granted to such companies, its officers and agents, and no new business shall be done by and for such company until its authority is restored by the IC.

Insurance Risk
The risk under insurance contract is the possibility of occurrence of insured event and uncertainty of the amount and timing of the resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments will exceed the carrying amount of insurance contract liabilities. This is influenced by the frequency of claims, severity of claims and actual benefits paid that are greater than originally estimated.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts, as a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The variability of risks can also be improved by careful selection and implementation of underwriting strategies and guidelines.

The majority of reinsurance business ceded is placed on a quota share basis with retention limits. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurance assets.

Although the Company has reinsurance agreements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

The business of the Company mainly comprises of short-term nonlife insurance contracts.

The Company principally issues the following types of general insurance contracts: fire, engineering, marine, motor car, personal accident, general accident and bonds.

The table below sets out the concentration of the claims provisions as of December 31, 2015 and 2014 by type of contract (see Note 11).

	Gross	**Reinsurers' Share**	**Net 2015**	Gross	Reinsurers' Share	Net 2014
Property	**₱100,522,921**	**₱98,628,115**	**₱1,894,806**	₱155,844,952	₱150,737,763	₱5,107,189
Marine	**25,516,005**	**23,748,845**	**1,767,160**	17,649,721	14,430,805	3,218,916
General Accident	**55,107,374**	**51,831,522**	**3,275,852**	56,824,703	54,663,964	2,160,739
Motor	**3,458,977**	**130,664**	**3,328,313**	3,777,250	460,136	3,317,114
Personal Accident	**40,343**	**28,897**	**11,446**	35,264	24,756	10,508
	₱184,645,620	**₱174,368,043**	**₱10,277,577**	₱234,131,890	₱220,317,424	₱13,814,466

The most significant risk arises from climate changes and natural disasters and terrorist activities. These risks vary significantly in relation to the location of the risk insured by the Company, type of risks insured and, in respect of commercial and business interruption by industry.

The Company also enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

The Company also has limited its exposure level by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events. The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes to a predetermined maximum amount based on the Company's risk appetite as decided by management.

Assumptions
The principal assumption underlying the estimates is the Company's past claims development experience. This includes assumptions in respect of average claim costs, claims handling costs, claims inflation factors and claim numbers for each accident year. Judgment is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include delays in settlement and changes in foreign currency exchange rates.

Sensitivities
In insurance, as a rule, there may be claims filed in the current year that would attach policies issued in the previous years. This in effect makes claims provisions highly sensitive as represented by the table below. Other unpredictable circumstances, like legislative uncertainties,

make it impossible to quantify claims. Also, due to delays arising between occurrence of claims and their subsequent reporting to and settlement by the Company, the outstanding claim provisions cannot be ascertained with confidence at the reporting date. As a result, the final liabilities will change as a result of succeeding developments. Differences from recomputation of the final liabilities are taken up in subsequent year's financial statements.

The table below shows the impact of changes in certain important assumptions in general insurance business while other assumptions remain unchanged. The interrelation of these assumptions will have an important impact in the computation of the final liabilities. But these assumption changes should be done on an individual basis to show the effect on the claims liabilities. It is worthwhile mentioning that these assumptions are nonlinear and larger or smaller impacts cannot be seen from these results.

Sensitivity analysis as of December 31, 2015 and 2014 follows:

	2015			
	Change in assumption	**Impact on gross insurance contract liabilities**	**Impact on net insurance contract liabilities**	**Impact on income before income tax**
Average claim costs	**25% Increase**	**33,895,308**	**1,098,881**	**(1,098,881)**
Average number of claims	**10% Increase**	**13,558,123**	**439,552**	**(439,552)**

	2014			
	Change in assumption	Impact on gross insurance contract liabilities	Impact on net insurance contract liabilities	Impact on income before income tax
Average claim costs	25% increase	₱27,122,189	₱3,190,777	(₱3,190,777)
Average number of claims	10% increase	10,848,876	1,276,311	(1,276,311)

Claims Development Table

The following tables reflect the cumulative incurred claims, including both claims notified and IBNR claims for each successive accident year at each reporting date, together with cumulative payments to date (see Note 11).

Gross Insurance Contract Liabilities

Accident year	2006 and prior	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Estimate of ultimate claims costs:											
At the end of accident year	241,837,634	34,035,674	78,120,530	330,447,511	560,353,419	106,500,448	188,839,808	199,101,904	113,943,504	96,168,633	96,168,633
One year later	320,653,408	40,688,060	149,685,968	453,241,737	936,409,875	183,087,250	335,518,056	272,812,278	131,036,865		131,036,865
Two years later	361,248,279	56,208,941	151,439,569	513,219,330	936,443,223	189,739,012	397,181,911	254,790,636			254,790,636
Three years later	387,073,510	56,208,941	152,699,865	529,435,210	936,443,224	189,296,357	660,989,955				660,989,955
Four years later	391,004,819	56,208,941	154,071,973	534,072,347	936,444,654	189,182,534					189,182,534
Five years later	391,005,236	56,208,941	154,076,500	534,167,443	936,444,654						936,444,654
Six years later	391,139,302	56,208,941	154,081,027	534,140,108							534,140,108
Seven years later	391,136,991	56,208,941	154,081,027								154,081,027
Eight years later	390,850,534	56,208,941									56,208,941
Nine years later	390,857,337										390,857,337
Current estimate of cumulative claims	390,857,337	56,208,941	154,081,027	534,140,108	936,444,654	189,182,534	660,989,955	254,790,636	131,036,865	96,168,633	3,403,900,690
Cumulative payments to date	390,857,337	56,208,941	154,076,500	533,358,818	936,443,224	189,047,377	657,225,900	180,517,673	90,883,647	30,635,653	3,219,255,070
Liability recognized in the statement of financial position	**₱–**	**₱–**	**₱4,527**	**₱781,290**	**₱1,430**	**₱135,157**	**₱3,764,055**	**₱74,272,963**	**₱40,153,218**	**₱65,532,980**	**₱184,645,620**

Net Insurance Contract Liabilities

Accident year	2006 and prior	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Estimate of ultimate claims costs:											
At the end of accident year	43,203,159	28,493,528	60,883	4,908,139	3,723,444	4,327,116	4,849,821	20,520,072	113,658,947	4,484,383	4,484,383
One year later	69,712,98,0	21,183,128	4,733,800	5,021,128	10,501,912	6,268,439	533,789	94,230,447	115,001,128		115,001,128
Two years later	72,301,569	21,802,901	4,735,343	5,166,514	10,502,833	10,867,800	62,197,645	93,171,110			93,171,110
Three years later	22,694,636	21,802,901	4,243,582	5,348,938	10,502,833	10,425,145	334,647,938				334,647,938
Four years later	23,438,721	21,802,901	4,285,786	5,768,414	10,504,264	10,418,890					10,418,890
Five years later	23,495,350	21,802,901	4,285,793	5,233,510	10,504,257						10,504,257
Six years later	23,503,667	21,802,901	4,290,320	5,230,074							5,230,074
Seven years later	23,529,355	21,802,901	4,290,298								4,290,298
Eight years later	23,531,070	21,802,901									21,802,901
Nine years later	23,500,021										23,500,021
Current estimate of cumulative claims	23,500,021	21,802,901	4,290,298	5,230,074	10,504,257	10,418,890	334,647,938	93,171,110	115,001,128	4,484,383	623,051,000
Cumulative payments to date	23,500,021	21,802,901	4,290,079	5,192,362	10,504,188	10,412,366	334,466,250	89,586,016	111,698,078	1,321,162	612,773,423
Liability recognized in the statement of financial position	**₱–**	**₱–**	**₱219**	**₱37,712**	**₱69**	**₱6,524**	**₱181,688**	**₱3,585,094**	**₱3,303,050**	**₱3,163,221**	**₱10,277,577**

The Company aims to maintain strong reserves in respect of its insurance business in order to protect against adverse future claims experience and development. As claims develop and the ultimate costs of claims become more certain, adverse claims experiences are eliminated which results in the release of reserves from earlier accident years. In order to maintain strong reserves, the Company transfers much of this release to current accident year reserves when the development of claims is less mature and there is much greater uncertainty attaching to the ultimate cost of claims.

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

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

Credit Risk
Credit risk is a risk due to uncertainty in a counterparty's ability to meet its obligation.

Prior to extending credit, the Company manages its credit risk by assessing credit quality of its counterparty.

Another method by which the Company manages its credit risk exposure is through credit analysis. This is a process of assessing the credit quality of a counterparty, which is a process that entails judgment.

The credit policy group reviews all information about the counterparty which may include its statements of financial position, statements of income and other market information. The nature of the obligation is likewise considered. Based upon this analysis, the credit analyst assigns the counterparty a credit rating to determine whether or not credit may be provided.

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

The following table provides information regarding the credit risk exposure of the Company as of December 31, 2015 and 2014:

	2015	2014
Cash and cash equivalents (excluding cash on hand)	**₱347,251,787**	₱334,016,455
Short-term investments	**24,806,578**	–
Insurance receivables - net	**398,014,729**	284,283,345
Financial assets at FVPL	**108,328,796**	99,412,208
AFS financial assets	**39,071,749**	35,101,640
Loans and receivables - net	**28,259,339**	30,318,572
Total	**₱945,732,978**	₱783,132,220

The table below provides information regarding the credit quality of the Company by classifying assets according to the Company's credit ratings of counterparties as of December 31, 2015 and 2014.

December 31, 2015

	Neither past due nor impaired					
	High grade	**Medium grade**	**Low grade**	**Past due but not impaired**	**Impaired**	**Total**
Cash and cash equivalents	**₱347,291,787**	**₱–**	**₱–**	**₱–**	**₱–**	**₱347,291,787**
Short-term investments	**24,806,578**	**–**	**–**	**–**	**–**	**24,806,578**
Insurance receivables	**362,671,812**	**–**	**–**	**35,342,917**	**340,879**	**398,355,608**
Financial assets at FVPL	**108,328,796**	**–**	**–**	**–**	**–**	**108,328,796**
AFS financial assets	**39,071,749**	**–**	**–**	**–**	**–**	**39,071,749**
Loans and receivables	**28,259,339**	**–**	**–**	**–**	**–**	**28,259,339**
	₱910,430,061	**₱–**	**₱–**	**₱35,342,917**	**₱340,879**	**₱946,113,857**

December 31, 2014

	Neither past due nor impaired					
	High grade	Medium grade	Low grade	Past due but not impaired	Impaired	Total
Cash and cash equivalents	₱334,056,455	₱–	₱–	₱–	₱–	₱334,056,455
Insurance receivables	228,538,825	–	–	55,744,520	310,139	284,593,484
Financial assets at FVPL	99,412,208	–	–	–	–	99,412,208
AFS financial assets	35,101,640	–	–	–	–	35,101,640
Loans and receivables	30,318,572	–	–	–	39,340	30,357,912
	₱727,427,700	₱–	₱–	₱55,744,520	₱349,479	₱783,521,699

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents, short-term investments, financial assets at FVPL and AFS financial assets - Based on the nature of counterparty. High grade pertains to cash, cash equivalents deposited or invested in local banks belonging to the top 10 rankings, short-term investments, financial assets FVPL and AFS financial assets with counterparties having a strong capacity to meet its obligation.

Insurance receivables, loans and receivables - High grade pertains to receivables from counterparties with strong capacity to meet its obligation and has no default in payment history; medium grade pertains to receivables from counter parties with average capacity to meet its obligation; and low grade pertains to receivables from counterparties with high probability of default.

The aging analysis of financial assets that are impaired and past due but not impaired follows:

	2015			
	Past due but not impaired			
	91 to 120 days	**121 days beyond**	**Impaired**	**Total**
Due from policyholders	**₱35,936**	**₱2,091,758**	**₱340,879**	**₱2,468,573**
Due from ceding companies	**7,349,775**	**17,225,991**	**–**	**24,575,766**
Reinsurance recoverable on paid losses	**3,465,788**	**5,173,669**	**–**	**8,639,457**
Loans and receivables	**–**	**–**	**–**	**–**
	₱10,851,499	**₱24,491,418**	**₱340,879**	**₱35,683,796**

	2014			
	Past due but not impaired			
	91 to 120 days	121 days beyond	Impaired	Total
Due from policyholders	₱13,211,784	₱40,420,840	₱310,139	₱53,942,763
Due from ceding companies	1,612,432	–	–	1,612,432
Reinsurance recoverable on paid losses	55,002	444,462	–	499,464
Loans and receivables	–	–	39,340	39,340
	₱14,879,218	₱40,865,302	₱349,479	₱56,093,999

Liquidity Risk
Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either: the inability to sell financial assets quickly at their fair values; counterparty failing on repayment of a contractual obligation; insurance liability falling due for payment earlier than expected; or inability to generate cash inflows as anticipated.

The Company monitors its cash position on a daily basis by preparing a cash report wherein the disbursements and collections are monitored. This report helps the Company in determining periods where it has excess cash or cash short fall.

The table below analyzes financial assets and liabilities of the Company into their relevant maturity groups based on the remaining period at the reporting dates to their contractual maturities or expected repayment dates as of December 31, 2015 and 2014.

	2015			
	Up to a year	**1-3 years**	**No term**	**Total**
Cash and cash equivalents	**₱347,291,787**	**₱–**	**₱–**	**₱347,291,787**
Insurance receivables	**391,900,623**	**6,114,106**	**–**	**398,014,729**
Financial assets at FVPL	**62,584,776**	**45,744,020**	**–**	**108,328,796**
AFS financial assets	**–**	**–**	**39,071,749**	**39,071,749**
Loans and receivables	**2,299,503**	**25,959,836**	**–**	**28,259,339**
Reinsurance recoverable on unpaid losses	**174,368,043**	**–**	**–**	**174,368,043**
Total financial assets	**₱978,444,732**	**₱77,817,962**	**₱39,071,749**	**₱1,095,334,443**
Insurance payables	**₱482,145,479**	**₱–**	**₱–**	**₱482,145,479**
Accounts payable and accrued expenses	**50,995,898**	**–**	**–**	**50,995,898**
Provision for claims reported and IBNR claims	**184,645,620**	**–**	**–**	**184,645,620**
Total financial liabilities	**₱717,786,997**	**₱–**	**₱–**	**₱717,786,997**

	2014			
	Up to a year	1-3 years	No term	Total
Cash and cash equivalents	₱334,056,455	₱–	₱–	₱334,056,455
Insurance receivables	281,976,660	2,306,685	–	284,283,345
Financial assets at FVPL	73,770,579	25,641,629	–	99,412,208
AFS financial assets	–	–	35,101,640	35,101,640
Loans and receivables	8,409,753	21,908,819	–	30,318,572
Reinsurance recoverable on unpaid losses	220,317,424	–	–	220,317,424
Total financial assets	₱918,530,871	₱49,857,133	₱35,101,640	₱1,003,489,644

	2014			
	Up to a year	1-3 years	No term	Total
Insurance payables	₱328,802,927	₱–	₱–	₱328,802,927
Accounts payable and accrued expenses	25,653,247	–	–	25,653,247
Provision for claims reported and IBNR claims	234,131,890	–	–	234,131,890
Total financial liabilities	₱588,588,064	₱–	₱–	₱588,588,064

Market Risk

Market risk is the risk of change in fair value of financial instruments from fluctuations in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Company manages market risk exposures by setting up limits structures and by promulgating specific investment guidelines and strategies. The Company also invests in financial institutions with acceptable ratings from domestic and international credit rating agencies or at least within the top 15 ranking in case of banks. The Company also ensures that its investments comply with the guidelines and requirements set out by the IC.

a. *Currency risk*

The Company's principal transactions are carried out in Philippine Peso and its exposure to foreign exchange risk arises primarily with respect to US Dollar and Japanese Yen transactions and balances.

The table below summarizes the Company's exposure to foreign currency exchange rate risks as of December 31, 2015 and 2014 by categorizing assets and liabilities by major currencies.

	2015		2014	
	U.S. Dollar	**Japanese Yen**	U.S. Dollar	Japanese Yen
Cash and cash equivalents	**$2,004,405**	**¥899,186**	$1,207,110	¥2,479,521
Insurance receivables	**25,438,822**	**3,092,690**	2,780,794	1,685,003
Insurance payables	**(3,006,102)**	**12,613**	(3,271,919)	(5,471,043)
Insurance contract liabilities	**(3,020,801)**	**(4,875,534)**	(2,020,360)	(900,000)
	$21,416,324	**(¥871,045)**	($1,304,375)	¥2,206,519
Philippine peso equivalent	**₱1,007,852,207**	**(₱341,450)**	(₱58,331,650)	(₱817,736)

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar and Japanese Yen exchange rates, with all other variables held constant, of the Company's profit before tax.

December 31, 2015

	Change in rate	**Impact on income before tax Increase (decrease)**
US Dollar	**+4.36%**	**₱43,936,332**
Japanese Yen	**+9.09%**	**(31,026)**
US Dollar	**-4.36%**	**(43,936,332)**
Japanese Yen	**-9.09%**	**31,026**

December 31, 2014

	Change in rate	Impact on income before tax Increase (decrease)
US Dollar	+4.47%	(₱2,608,482)
Japanese Yen	+9.61%	(78,617)
US Dollar	–4.47%	2,608,482
Japanese Yen	–9.61%	78,617

There is no impact on equity other than those already affecting the net income.

b. *Fair value interest rate risk*
Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in interest rates. The Company's FVPL financial assets bear fixed interest rates and therefore the Company is exposed to fair value interest rate risk but not to cash flow interest rate risk.

The following table shows the information relating to the Company's financial instruments that are exposed to fair value interest rate risk presented by maturity profile.

	2015			
	Interest Rates	**Up to a year**	**1-5 years**	**Total**
Cash and cash equivalents	**0.75% to 2.00%**	**₱347,291,787**	**₱–**	**₱347,291,787**
Financial assets at FVPL	**0.00% to 9.13%**	**62,584,776**	**45,744,020**	**108,328,796**

	2014			
	Interest Rates	Up to a year	1-5 years	Total
Cash and cash equivalents	0.75% to 1.63%	₱334,056,455	₱–	₱334,056,455
Financial assets at FVPL	0.00% to 9.13%	73,770,579	25,641,629	99,412,208

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on revaluing fixed rate FVPL financial assets. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

	Change in variables	**Impact on income before tax Increase (decrease)**
December 31, 2015	**+100 basis points**	**(₱1,279,104)**
	–100 basis points	**1,117,3699**
December 31, 2014		
	+100 basis points	(₱658,094)
	–100 basis points	665,489

There is no impact on the Company's equity other than those already affecting net income.

c. *Price risk*

The Company's price risk exposure at year-end relates to financial assets and liabilities whose values will fluctuate as a result changes in market prices, principally AFS equity securities. As of December 31, 2015 and 2014, the Company's AFS equity securities pertain to investment in club shares and quoted equity securities.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on equity (that reflects changes in fair value of available-for-sale financial assets).

	2015	
	Change in variables	**Impact on equity Increase (decrease)**
PSEi	**+13%**	**₱9,463**
	-13%	**(9,463)**

	2014	
	Change in variables	Impact on equity Increase (decrease)
PSEi	+24%	₱21,805
	-24%	(21,805)

23. Fair Value of Financial Assets and Liabilities

Fair values of financial assets and liabilities are estimated as follows:

Cash and cash equivalents, short-term investments, insurance receivables, loans and receivables, insurance payables and accounts payable and accrued expenses - Due to the short-term nature of the instruments, the fair values approximate the carrying amounts as of the reporting date.

Financial assets at FVPL and *AFS financial assets* - Fair values are generally based on quoted market prices.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
AFS Financial Assets				
Listed equity securities				
Common shares	**₱71,749**	**₱–**	**₱–**	**₱71,749**
Club shares	**39,000,000**	**–**	**–**	**39,000,000**
Financial assets at FVPL				
Government debt securities				
Local currency	**49,359,134**	**58,969,662**	**–**	**108,328,796**
	₱88,430,883	**₱58,969,662**	**₱–**	**₱147,400,545**

	2014			
	Level 1	Level 2	Level 3	Total
AFS Financial Assets				
Listed equity securities				
Common shares	₱101,640	₱–	₱–	₱101,640
Club shares	35,000,000	–	–	35,000,000
Financial assets at FVPL				
Government debt securities				
Local currency	42,658,255	56,753,953	–	99,412,208
	₱77,759,895	₱56,753,953	₱–	₱134,513,848

There were no financial instruments classified under Levels 2 and 3 categories. There were also no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

24. Related Party Transactions

The sales to and purchases from related parties are made at normal market prices. Outstanding balances as of year-end are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended December 31, 2015 and 2014, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Significant transactions with related parties include the following:

a. The Company enters into several reinsurance transactions with its related parties in the normal course of business.

   Transactions during the year and outstanding balances as of yearend are as follows:

	2015			
	Amount	**Outstanding balance**	**Terms**	**Conditions**
PGAI (Common control)				
Sublease agreement	**₱5,634,007**	**₱–**	(1) On demand; Non-interest bearing	Unsecured; no impairment
Premiums assumed (net of RI commission expense)	**262,536,149**	**259,061,058**	On demand; Non-interest bearing	Unsecured; no impairment
Premiums ceded (net of RI commission earned)	**46,350,464**	**18,234,923**	–	–
Losses incurred (assumed business)	**2,968,012**	**14,435,814**	–	–
Losses recoverable (ceded business)	**127,697,991**	**88,335,396**	On demand; Non-interest bearing	Unsecured; no impairment
Service agreement	**2,061,684**	**–**	(2) On demand; Non-interest bearing	Unsecured; no impairment

	2015			
	Amount	Outstanding balance	Terms	Conditions
Sompo Japan NipponKoa Holdings (Venturer)				
Cost allocation with 10% mark-up	**₱2,476,048**	**₱760,514**	(3) On demand; Non-interest bearing	Unsecured; no impairment
Tenet Sompo Insurance PTE LTD. (Common control)				
Premiums ceded (net of RI Commission earned)	**18,856,652**	**3,383,336**	–	–

	2014			
	Amount	Outstanding balance	Terms	Conditions
PGAI (Common control)				
Sublease agreement	₱5,525,428	₱–	(1) On demand; Non-interest bearing	Unsecured; no impairment
Premiums assumed (net of RI commission expense)	103,828,224	73,054,704	On demand; Non-interest bearing	Unsecured; no impairment
Premiums ceded (net of RI commission earned)	246,395,162	133,298,064	–	–
Losses incurred (assumed business)	27,854,517	65,406,235	–	–
Losses recoverable (ceded business)	89,816,983	80,159,195	On demand; Non-interest bearing	Unsecured; no impairment
Service agreement	2,015,319	–	(2) On demand; Non-interest bearing	Unsecured; no impairment
Sompo Japan Insurance, Inc. (Venturer)				
Premiums ceded (net of RI commission earned)	561,842	75,673	–	–
Cost allocation with 10% mark-up	2,240,610	734,829	(3) On demand; Non-interest bearing	Unsecured; no impairment
Tenet Sompo Insurance PTE. LTD. (Common control)				
Premiums ceded (net of RI Commission earned)	71,563,640	(44,115,551)	–	–

(1) Sublease agreement with PGAI is renewable at each calendar year. This includes payment for office and parking space rent, association dues and utilities.
(2) Service agreement with PGAI pertains to salaries of PGAI employees who are seconded to the Company.
(3) The Company bills Sompo Japan Insurance, Inc. for its share in the expenses with 10% mark-up quarterly.

b. Key management personnel of the Company include executive and non-executive directors and senior management. The salaries of key management personnel amounted to ₱12,933,967 and ₱10,775,300 in 2015 and 2014, respectively.

25. Equity

The Company's capital stock consists of:

	2015		2014	
	Shares	Amount	Shares	Amount
Authorized - ₱100 par value	**3,000,000**	**₱300,000,000**	3,000,000	₱300,000,000
Issued and outstanding:				
Beginning	**3,000,000**	**₱300,000,000**	3,000,000	₱300,000,000
Issuances during the year	–	–	–	–
Ending	**3,000,000**	**₱300,000,000**	3,000,000	₱300,000,000

The roll forward of Retained Earnings follows:

	2015	2014
At January 1	**₱71,335,369**	₱70,053,457
Net Income	**6,015,670**	1,281,912
At December 31	**₱77,351,039**	₱71,335,369

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
PGA Sompo Insurance Corporation
5th Floor, Corinthian Plaza Condominium
121 Paseo de Roxas, Legaspi Village
Makati City

We have audited the financial statements of PGA Sompo Insurance Corporation (the Company) as of and for the year ended December 31, 2015, on which we have rendered the attached report dated March 30, 2016.

In compliance with Securities Regulation Code Rule 68, As Amended (2011), we are stating that the above Company has nine (9) stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

Dyole S. Garcia
Partner
CPA Certificate No. 0097907
SEC Accreditation No. 1285-A (Group A),
February 25, 2013, valid until April 30, 2016
Tax Identification No. 201-960-347
BIR Accreditation No. 08-001998-102-2015,
November 25, 2015, valid until November 24, 2018
PTR No. 5321641, January 4, 2016, Makati City

March 30, 2016

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date
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PRECIOSA C. JAVIER

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULE

The Stockholders and the Board of Directors
PGA Sompo Insurance Corporation
5th Floor, Corinthian Plaza Condominium
121 Paseo de Roxas, Legaspi Village
Makati City

We have audited in accordance with Philippine Standards on Auditing the financial statements of PGA Sompo Insurance Corporation as at and for the years ended December 31, 2015 and 2014 and have issued our report thereon dated March 30, 2016. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of all the effective standards and interpretations under Philippine Financial Reporting Standards as of December 31, 2015 is the responsibility of the management of PGA Sompo Insurance Corporation. This schedule is presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Djole S. Garcia
Djole S. Garcia
Partner
CPA Certificate No. 0097907
SEC Accreditation No. 1285-A (Group A),
February 25, 2013, valid until April 30, 2016
Tax Identification No. 201-960-347
BIR Accreditation No. 08-001998-102-2015,
November 25, 2015, valid until November 24, 2018
PTR No. 5321641, January 4, 2016, Makati City

March 30, 2016

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date
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PRECIOSA C. JAVIER

PGA SOMPO INSURANCE CORPORATION
(formerly PGA Sompo Japan Insurance, Inc.)

SUPPLEMENTARY SCHEDULE qREQUIRED UNDER SECURITIES REGULATION CODE RULE 68, AS AMENDED (2011)
DECEMBER 31, 2015

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2015**		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendments to PFRS 1: Meaning of 'Effective PFRSs'	*Not early adopted*		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2:Definition of Vesting Condition			✓
PFRS 3 (Revised)	Business Combinations			
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination			
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements			
PFRS 4	Insurance Contracts	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 8	Operating Segments			✓
	Amendments to PFRS 8: Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 9	Financial Instruments	*Not early adopted*		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	*Not early adopted*		
PFRS 10	Consolidated Financial Statements			✓
	Amendment to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10 and 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendment to PFRS 12: Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Investment Entities			✓
	Amendment to PFRS 13: Short-term Receivables and Payables			✓
	Amendment to PFRS 13:Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts	*Not early adopted*		
IFRS 15	Revenue from Contracts with Customers*	*Not early adopted*		
IFRS 16	Leases	*Not early adopted*		
PAS 1	Presentation of Financial Statements	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
(Revised)	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Information	✓		
	Amendments to PAS 1: Disclosure Initiative	*Not early adopted*		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
	Amendment to PAS 12: Recognition of deferred tax assets for unrealised losses	*Not early adopted*		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment	✓		
	Amendment to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	*Not early adopted*		
	Amendment to PAS 16 and 41: Bearer Plants	*Not early adopted*		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
	Amendments to PAS 19:Defined Benefit Plans: Employee Contributions			✓
	Amendments to PAS 19: Regional market issue regarding discount rate	*Not early adopted*		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24:Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendment to PAS 27: Investment Entities	*Not early adopted*		
PAS 28	Investments in Associates			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax effect of Distribution to Holders of Equity Instruments	✓		
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
	Amendments to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendments to PAS 34: Disclosure of information 'elsewhere in the interim financial report'	*Not early adopted*		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 36:Revaluation Method - Proportionate Restatement of Accumulated Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	*Not early adopted*		
PAS 40	Investment Property			✓
	Amendment to PAS 40: Interrelationship between PFRS 3 and PAS 40	*Not early adopted*		
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants	*Not early adopted*		
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning,			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2015**		**Adopted**	**Not Adopted**	**Not Applicable**
	Restoration and Environmental Rehabilitation Funds			
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

*New standards and amendments issued by the International Accounting Standards Board (IASB) has not yet been adopted by the Financial Reporting Standards Council (FRSC).

Not applicable standards have been adopted but the Company has no significant covered transactions for the year ended December 31, 2015.